

ANNUAL REPORT



**National
Gambling Board**

a member of **the dti** group



VISION

“To be a world-class organisation, providing a national regulatory framework in the gambling industry.”

MISSION

Ensuring uniformity, harmonisation and integrity of the gambling industry in South Africa, by enforcing compliance with the National Gambling Act and ensuring compliance with other relevant legislation, viz, Financial Intelligence Centre Act; Public Finance Management Act and provincial gambling Act.

We do this through:

- a) the creation and establishment of uniform norms and standards;
- b) the creation and establishment of uniform (harmonised) rules and regulations;
- c) conducting oversight evaluations of the performance of provincial licensing authorities;
- d) evaluating the issuing of national licenses by provincial licensing authorities;
- e) evaluating the compliance monitoring of licensees by provincial licensing authorities;
- f) assisting provincial licensing authorities to ensure that unlicensed gambling activities are detected;
- g) monitoring socio-economic patterns of gambling activity in the Republic; and
- h) conducting research on addictive/compulsive gambling and the socio-economic impact of gambling.

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PART ONE

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NGB



CL Fismer

CHAIRPERSON'S REPORT

INTEGRITY AND CAPABILITY OF BOARD MEMBERS:

I am proud to report that the Board evolved into a cohesive and knowledgeable strategic unit, capable of executing the mandate of the National Gambling Board (NGB).

After leading this Board as Chairperson under the new dispensation, I believe it would be fair and accurate to say that I have at all times been most impressed by the exceptional calibre, integrity and capabilities demonstrated by the Board members, especially as most of them had never served in the gambling fraternity before and taking into account the new challenges and trends within the industry that we regulate.

SPIRIT OF TEAMWORK WITHIN THE INDUSTRY:

The positive and enthusiastic working attitude of the Board members permeated not only to staff, but to all our various stakeholders. The unequivocal recognition that the industry accords the efforts of the Board members, served to strengthen the Board's resolve and commitment to advancing its functions and activities. The Board is discharging its duties and obligations in a transparent and honest manner; created an informed industry and protected the public so that the integrity of our industry is respected worldwide. I am confident that South African operators, as a result, achieved a credible standing among the public and international stakeholders.

PERFORMANCE OF REGULATORY FUNCTIONS:

The Board not only succeeded in performing its regulatory functions diligently, but also in enhancing the industry's credibility and increased the public's awareness about the potential challenges in gambling. The direct benefit of public education and awareness campaigns led to clients' appreciativeness knowing that dealing with licensed operators, they enjoy unequivocal protection from the Board and the respective Provincial Boards. This resulted in a significant increase in the level of confidence in participating in an expanded range of activities within the industry. Similarly, operators enjoy the benefit of the enhanced image of reliable entertainment and stability in the industry. I am of the view that the positive change in perception and perspective represented is a welcomed and overdue paradigm shift.

REGULATORY CHALLENGES:

The statutory regulation of an extensive and continuously evolving gambling industry which operates in a volatile, technology-driven and changing social-economic environment, is an exceptionally complex task. It entails implementation of a wide variety of different activities and functions spanning a multitude of disciplines, all to be accommodated in well crafted legislation.

PERFORMANCE OVERVIEW OF THE BOARD:

The Board's statutory mandate as prescribed in the National Gambling Act, No 7 of 2004, remained the same over the past three years of the Board's term. Although there wasn't much shift from the 1996 Act, repealed by the 2004 Act, the new Act brought in more emphasis and variation to certain provisions and some new responsibilities.

The Board and management outlined annual objectives in the business plan, as was approved by the Department of Trade and Industry. A Memorandum of Undertaking was signed whereafter funds were released to the Board, ensuring delivery on the set objectives.

Management reviewed the NGB structure, matching the skills and competency in-house, with respect to the revised mandate.

The Board attended *inter alia* to the following:

- Supervisory functions in terms of FICA (Financial Intelligence Act).
- The NGB inspected 28 (TWENTY EIGHT) casinos for the period April 2007 to March 2008, with the outstanding 8 (EIGHT) being completed by August 2008.
- During the year, the Betting (Horse Racing) Industry was orientated on the obligations imposed by FICA on licenses and subsequently, 44 (FORTY FOUR) FICA inspections were conducted in the bookmaker industry.
- The NGB completed the Financial Action Task Force (FATF) Mutual Evaluation (Completed Monitory) Assessment (Review) Questionnaire on Anti-money Laundering and Combating the Financing of Terrorism in preparation for the FATF review (for South Africa) which takes place in August 2008.

CENTRAL ELECTRONIC MONITORY SYSTEM (CEMS):

The Limited Payout Machine Industry has grown, not just in number of machines, but coverage in the country with more provinces like Limpopo, Free State and Gauteng joining in. Further, Ghana as a new entrant to the Gambling Regulation Africa Forum (GRAF) requested NGB to award Zonke Monitoring Systems permission to render monitoring facilities to them similar to South Africa. GRAF encourages member states to upgrade their regulatory framework, with the view to having the continent on par in terms of goods practices and standards of regulatory governance. The new Act reinforced NGB's responsibility over Limited Pay out Machines by allocating the responsibility to execute CEMS to NGB or allowing NGB to appoint an agent to perform the task.

OTHER NATIONAL REGISTRIES:

The Board prides itself in developing national database systems for self exclusion persons and information with regard to probity investigations. The system was first designed under the 1994 Act, just before implementation the Act was repealed. The new Act then resulted in amendments to the specifications. The system was ready for implementation by March 31 2008.

Further work commenced with the consultation on specifications for the national machine registry. The system would not replace systems currently employed within respective Provincial Gambling Boards, but in addition to their functions, will serve regulators and the industry to control the movement of equipment within the Republic of South Africa and across borders.

UNIFORM NORMS AND STANDARDS WITHIN THE INDUSTRY:

The NGB advised the National Gambling Policy Council (NGPC) to bring about harmony with regard to differences in Provincial legislation. The Horse Racing and Betting rules for Bookmakers and Totalisators were reviewed and the new respective sets approved to be adopted by respective Provincial Gambling Boards. In addition to standardised practice, was a reformed tax structure of sport fixed bets. Tax was removed from winnings and a 6.5 % tax on Gross Gambling Revenue was accepted by all provinces.

The new tax structure was set for implementation with effect from July 1 2008 and Gauteng, The Western Cape and Kwa Zulu-Natal were set to commence accordingly.

DETERRENCE OF ILLEGAL OPERATORS:

Management has been working on a plan to root out illegal operators, especially in North West Province. The overall ground work was handed to the South African Police Services and the Asset Forfeiture Unit, and the ultimate breakthrough was in April when illegals were closed down in Rustenburg and assets estimated to the value of R22 888 332.20 confiscated, to be forfeited to the State.

TECHNOLOGY CHALLENGES:

Just when we were celebrating the end of a long consultation and debate process of approving the Interactive Gambling Bill, new technological advances with regard to so-called Bingo machines, now requires appropriate policy considerations. At long last the South African authorities have pronounced the stance with respect to internet-based gambling activities. Both Houses of Parliament approved the Bill in May 2008 which are now promulgated into law.

Further, the challenge within the betting industry with regard to technology relating to Person to Person betting. The matter has been presented to the NGPC. The Council advised that an encompassing study on the impact of technology on gambling activities be commissioned to inform a broad debate on the matter rather than isolated cases. The study will be conducted jointly by the NGB and the Department of Trade and Industry.

THE 2008 INTERNATIONAL BIENNIAL CONFERENCE:

The conference is hosted by the NGB to bring together all stakeholders and to inform regulators and the industry on their respective views regarding relevant issues. The preparation work started way ahead of time. During the last quarter of the year, the conference was dominated the Board's agenda guiding management on various aspects. The conference will be presented early in the next financial year.

GAMBLING INTO THE FUTURE:

Over 10 years of developments within the gambling industry and regular amendments to the regulatory framework, the Board is of the opinion that this may be an opportune time to take stock of both activities. The Board made recommendations to the Minister of Trade and Industry that a similar commission be constituted to respond on the social economic impact of gambling, and the impact of technology in the industry so as to inform a proposed reformed regulatory policy or to confirm the status quo.

CONCLUSION:

In conclusion, the Board re-iterate its candid intention of remaining co-operative and transparent with all stakeholders to protect the vulnerable members of society to an extent that the mandate requires and to continue to respect the credibility and prosperity of the industry, and through it all, to be at the service of the people of South Africa.

Thank you to all of you who have always held the NGB in high regard. To our stakeholders, you have made **the Board** what it is.

To the Board: Your unselfish commitment, dedication and loyalty have never been questioned.

To the Chief Executive Officer and her leadership team: Your dedication, passion and dynamic leadership are an invaluable asset. Your participative management style will foster renewed synergy with all stakeholders. Employee issues have always been a priority.

To the National Gambling Board staff: You are the backbone of the operation and your contribution is highly valued.

To the Ministry of the Department of Trade and Industry: Thank you for our mutual relationship and support for one another and the valuable guidance and leadership which we have received from you.



BOARD MEMBERS



NGB

Top to bottom:

CL Fisser, MAF Moja, Z Mdhlahla, LJN Kganyago, E Masotja, V Masola and Adv. TN Aboobaker.



Acting CEO: **MAF Moja**

CEO'S REPORT

TRIBUTE TO TEAMWORK

The Staff

The National Gambling Board (NGB) had a staff complement of 23 members during the year ending March 2008. The team dealt with challenges from various areas of work and executed their functions efficiently.

Information Management Department (IMD)

The IMD with a staff of three members, conducted three research studies with two of the three studies conducted concurrently. The study on Gender Equity and Gamblers' Perception on electronic measures were conducted at the same locations with various focus groups. This was very challenging to the researchers, however, with co-operation from operators and punters, the interviews were conducted with absolute openness. The researchers were satisfied with the interviewees who confided in them beyond research questionnaires. Where possible, areas of concern were referred to the relevant authorities to be addressed accordingly.

Racing and Betting Department

The two staff members in the Racing and Betting Department performed their assignments in conjunction with Provincial Gambling Board (PGBs) and Financial Intelligence Centre (FIC) inspectors, where possible. The Horse Racing and Betting Forum has functional sub-committees and their projects are carried out as teams under NGB Racing and Betting manager as chairperson of the Forum, assisted by the Racing and Betting's senior inspector.

From these teams, regulators were able to unite Horse Racing Associations within the country, and for the first time a joint association team and a team of regulators worked together. The joint sessions presented uniform bookmakers and totalisatorss betting regulations, restructured sports betting tax and in the process, constructive input was given to amend provisions of the National Gambling Act that relate to racing and betting.

The NGB team embarked on training sessions orientating bookmakers on FICA requirements and best practices to ensure compliance. PGB members were oriented on racing and betting activities. These valuable sessions were appreciated by all.

Compliance Department

In terms of Financial Action Task Force (FATF), casinos are enlisted as a high-risk environment and open for money laundering activities. With South Africa due for a Mutual Review, the compliance department was hard at work to ensure compliance with FICA by casinos. This was a second encompassing round since 2006, with many lessons learned and control weaknesses identified, the team was quick in introducing appropriate and effective measures. By year-end the team was confident with the preventative measures against money laundering activities within the casino environment.

Legal Department

The team was busy during the course of the year with litigation matters emanating from PGBs whereby NGB is cited as an interested party. The team enlisted a Trust Deed for NGB, an entity which will be entrusted with unlawful winnings in the industry, while awaiting a court ruling. Besides the court matters, the legal manager and chief operations manager

had exciting moments of arranging a successful Gambling Regulators African Forum (GRAF) in Malawi. For the good part of the year the legal manager joined by the Chief Operations Officer were out of the office in consultation with private and public stakeholders, including parties involved in legislative process at the provincial and national level, regarding the Interactive Bill. The team got some relief when both houses of parliament endorsed the Bill and approved it for promulgation into law.

Human Resources Department (HR)

Our HR team had a particularly tough time. We lost four staff members from various departments and could not fill those positions due to the uncertainty of future overall human capital requirements. HR has a responsibility to provide appropriate human resources in the NGB. They are tasked to provide competency skills and the required to and sustain them through development. Throughout the year, the team capitalised on diversity of internal skills. Mentors and protégées were matched and various skills imparted in teamwork scenarios. This resulted in two departments being restructured and protégées lending in positions of higher responsibilities. The team also worked with great determination to design critical people management policies to ensure compliance with labour laws and best practices.

Finance Department

The 2007/2008 financial resources were so stringently controlled on a flexi budget, closely monitored by the Board, that the team not only turned the financial performance of NGB from deficit in 2006/2007 to ending the year with a surplus of R2,5 million. **The Board** was able to comply with IAS36, evaluating assets and appropriately impaired intangible assets to the value of R2 million. One staff member relocated towards the end of the year.

Chief Operations Officer (COO)

The COO's office celebrate a great achievement with three of the four registers prescribed by the National Gambling Act being fully developed. The team worked tirelessly to ensure absolute consultation with stakeholders and procure a system compatible to all stakeholders' existing systems.

The second project for the team was to organise, arrange and manage the NGB biennial international conference. The conference was hosted in mid-April 2008. All event management work was carried out inhouse and was achieved through good team work and applications of diverse skills within NGB.

My gratitude and appreciation to all

I am humbled by the spirit of teamwork within the NGB. Much was achieved with limited resources. I salute you and appreciate you having welcomed me to be part of an enthusiastic team.

To the Board, I extend my sincere gratitude for your visionary leadership and, trust in me, and particularly your relentless pursuit of excellence.

Finally, to all our stakeholders, the leadership and management of Provincial Gambling Boards who supported my efforts and shared their invaluable knowledge with me, thank you.

NATIONAL GAMBLING BOARD

Statement of Responsibility

The Board Members are responsible for the preparation, integrity and fair presentation of the financial statements and the related information included in the annual report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has the ultimate responsibility for the system of internal control and reviews its operation, primarily through the Audit Committee.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Board's policies and procedures. These controls are implemented by suitably trained, skilled personnel with an appropriate segregation of duties and are monitored by management. These controls include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

As part of the system of internal control, the Board's internal audit function, outsourced to SE Makhubu, an accounting firm, conducts the internal audit in accordance with the standards set by the Institute of Internal Auditors and coordinates audit coverage with the Auditor-General. The Auditor-General is responsible for the auditing the financial statements.

The financial statements are prepared in accordance with Generally Recognised Accounting Practices (GRAP) and the reporting requirements of the Public Finance Management Act, based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The financial statements have been prepared on the going concern basis, as the Board members have every reason to believe that the Board has adequate resources in place to continue in operation for the year ahead.

There were no events known by the Board after the balance sheet date that would affect the figures in the annual financial statements.

The financial statements for the year ended March 31 2008 were approved by the Audit Committee on May 16 2008 and are signed on its behalf by



Mmathebe Moja
Acting Chief Executive Officer



Chris Fisser
Chairperson

CORPORATE GOVERNANCE REPORT

The underlying principles of corporate governance are the values, ethics and commitment to follow best business practices. The NGB has made conscious efforts to institutionalise corporate governance practices. Our corporate structure, business and disclosure practices have been aligned to reflect our corporate governance beliefs. We will continuously endeavour to take forward the best practices to enhance stakeholders' value.

2. BOARD MEMBERS

In terms of section 67 of the National Gambling Act, No 7 of 2004, the organisation's strength of the Board shall not be less than five independent non-executive board members, and four other members representing different government departments.

2.1) *Constitution of the Board*

The NGB is required to conduct its business in terms of Public Finance Management Act sec 3 (Schedule 3). **The board's** activities are guided by the statutory mandate which holds the Board responsible as an Accounting Authority. Members are governed by a code of ethics and terms of reference, which have been enhanced to ensure that the entity operates efficiently and effectively.

2.2) *Composition of the Board*

As at March 31 2008, the Board comprised of seven members, three of whom have been nominated by the government as independent departmental representatives. The Board is however, under represented as two of the resignations from government departments were never filled during the year under review. However, this did not affect a quorum at all meetings. The CEO of the organisation is an *ex officio* member of the Board

2.3) *Responsibilities*

The primary role of the Board as an Accounting Authority is trusteeship to protect and enhance service delivery as espoused in the business plan. As trustee, the Board ensures that the organisation has clear goals and policies to guide implementation. The Board provides the organisation's strategic direction and reviews its performance, authorises and monitors strategic decisions, ensures regulatory compliance and safeguards the interests of stakeholders. The Board ensures that the organisation is managed in a manner that fulfills stakeholders' aspirations and expectations. The Board members through commitment also ensure that their other responsibilities do not impinge on their responsibilities as Board members of the organisation.

Further, the PFMA tasks the Board to implement the system of internal controls and to safeguard resources of the entity.

2.4) Board/Committee meetings and procedure

The Board committees are governed by terms of reference adopted by respective members and approved by the Board.

The Board and committee meetings are conducted in terms of Section 70 – 71 of the National Gambling Act No 7 of 2004.

3. COMMITTEES OF THE BOARD

The Board has established the following committees:-

3.1) Board Committee

The full Board convenes on every alternate month to deal with and address strategic policy issues relevant to the business of the Board policy.

Board member	Number of meetings	Meetings attended
Mr CL Fismer (Chairperson)	7	7
Ms MAF Moja (Deputy Chairperson)	7	7
Adv. TN Aboobaker	7	7
Ms LJN Kganyago	7	7
Ms Z Mdhladhla	7	7
Mr V Masola	7	5

3.2) Executive Committee

The Executive Committee is responsible for assisting executive management to implement organisational strategies. It provides strategic direction and operational oversight over the implementation of the Board's strategies and policies. Decisions of the committee are binding upon the Board. It takes up the responsibility on operational issues within the delegated authorities and policy guidelines in line with approved terms of reference.

During the year under review, the committee sat four (4) times with the following attendance:

Names of members	Number of meetings	Meetings attended
Mr CL Fismer	4	4
Ms MAF Moja	4	4
Adv. TN Aboobaker	4	4
Ms LJN Kganyago	4	4

3.3) Human Resource Committee

The HRCO has been established to assist the Board in formulating policies and programmes to attract, retain and motivate staff appropriate for the organisations current and long-term success. It further assists the Board to develop management and assess the adequacy of the human resource principles and philosophy. The committee reports directly to the main Board.

During the year under review, the committee met three (3) times and attendance was as follows:

Names of members	Number of meetings	Meetings attended
Ms MAF Moja	3	3
Ms LJN Kganyago	3	2
Ms Z Mdhladhla	3	3

3.4) Audit Committee

The Audit Committee plays a key and proactive role in overseeing, monitoring and advising management and internal auditors in conducting audits, subject to the ultimate approval by the Board. It further ensures accountability on the part of management and internal and external auditors and ensures that each of the parties involved understand their roles clearly. It is constituted in terms of the PFMA, Treasury regulations and sound corporate governance practices. (Refer to the Audit Committee report for committee members).

The Board appointed new internal auditors through an open tender, for a period of three years, following the lapse of the agreement that was entered into for the past three years.

3.5) Finance and Risk Committee

The primary object of the committee is to oversee financial management, assess and monitor risk-management within the organisation. Further, they monitor implementation of audit recommendations over risk-management. They advise management on the investment of resources in terms of investment policies.

The committee is constituted as follows:

Names of Members	Number of meetings	Meetings attended
Ms LJN Kganyago	1	1
Ms Z Mdhladhla	1	1
Ms MAF Moja	1	1
CFO and COO/CEO	1	1

3.6) *Tender Committee*

The internal Tender Committee, established in terms of the Public Finance Management Act No 1 of 1999 and the PPPF Act No 5 of 2000, is chaired by the Chief Financial Officer and assists the Board with evaluating and approving tenders above R200,000 for all services and products procured by the board.

4. DISCLOSURES

The Board complied with the PFMA with respect to disclosure on payment to Board members and key personnel.

CEO position – the board recommended the appointment of the Acting CEO to the Minister.

5. MEANS OF COMMUNICATION

The organisation has a communication strategy which it upholds to ensure transparency between **the board** and all relevant stakeholders.



Adv. T Polaki
Board Secretary



N Bogoshi
Administrative Officer

PERFORMANCE REPORT

Introduction

The objectives and functions of the National Gambling Board (NGB) are articulated in Section 65 of the National Gambling Act, 2004. During the year, Parliament did not pass any amendments to the Act, hence the objectives and functions of **the board** remained the same, as listed hereunder.

Objectives and functions of the board are:

1. (a) Monitoring and investigating, when necessary, the issuing of national licences by provincial licensing authorities for compliance;
 - (b) Investigating, monitoring and evaluating compliance by provincial licensing authorities;
 - (c) Establishing and maintaining—
 - (i) The national register of excluded persons;
 - (ii) the national central electronic monitoring system;
 - (iii) the national register of gambling machines and devices;
 - (iv) a central registry of information;
 - (v) the national probity register.
 - (d) Monitoring socio-economic patterns of gambling activity within the Republic and in particular conduct research and identify factors relating to, and patterns, causes, and consequences of—
 - (i) the socio-economic impact of gambling; and
 - (ii) addictive or compulsive gambling.
2. **The board** may—
- (a) advise the National Gambling Policy Council (NGPC) on the maximum number of any kind of licences relating to casinos, racing, gambling and wagering that should be awarded in the Republic or in any particular province;
 - (b) advise the NGPC on matters of national policy relating to casinos, racing, gambling and wagering and on the determination of national norms and standards regarding any matter in terms of this Act that should apply generally throughout the Republic;
 - (c) recommend to the NGPC changes to bring about uniformity in the laws of the various provinces in relation to casinos, racing, gambling and wagering;
 - (d) advise the NGPC through the Minister, in respect of any matter referred to it by the NGPC;
 - (e) Monitor market share and market conduct in the gambling industry and refer any concerns regarding market share or possible prohibited practices to the Competition Commission in terms of the Competition Act, 1998 (Act No. 89 of 1998); and
 - (f) Provide a broad-based public education programme about the risks and socio-economic impact of gambling.
3. The board may liaise with any foreign or international authorities having any objects similar to the objects of **the board**.

The Approach to fulfilling its Mandate

The Board draws up a three year strategic plan annually and from the strategic plan a business plan is devised to guide management on priority focus areas. Management prepares an operational plan that would ensure achievement of objectives as outlined in the business plan. It will be noted that the NGB mandate requires progressive performance, making it difficult to indicate fixed targets. However, indicators are only clear on achievement.

The functions were not performed without challenges, which in many instances were finally considered surmountable with the assistance of our stakeholders, and their achievements are reported hereunder.

1. Objective: Monitoring and investigating, when necessary, the issuing of national licences by provincial licensing authorities for compliance with the National Gambling Act, 2004

KPA: Evaluate issuing of national licences received from PGBs to ensure that licences are issued in terms of the National Gambling Act.

Requirement: National licences for manufacturers, suppliers, service providers and key employees are issued by Provincial Gambling Boards (PGBs) following the criteria set in the National Gambling Act. PGBs have an obligation to notify the National Gambling Board of any application for the NGB's consideration prior to the issuance of a permanent licence.

Target: Evaluate all applications received and conduct one inspection per PGB on request.

Performance: A total of 22 national licence applications were issued by PGBs this year. The NGB considered all applications and none required the NGB to perform physical inspections beyond those conducted by the PGB prior to temporary approval. The NGB concurred with the respective PGBs on the issuing of all such licences and conditions attached thereto.

Further to this, the NGB considered a set of norms and standards that PGBs could incorporate into their rules and regulations applied when considering licence applications. In March 2008 the proposed norms and standards were presented to PGBs for their consideration, with the view to accepting them.

Challenge: The NGB cannot estimate the number of licences to be applied for in any year. Applications are presented by PGBs as and when received from operators.

2. Objective: Evaluate the compliance monitoring of Licensees by PGBs.

KPA: Evaluate compliance monitoring of Licensees by PGBs to ensure that licensees comply with conditions of licenses.

Requirement: The National Gambling Act requires PGBs to perform functions as outlined in Section 31 (1) including, to prevent and detect illegal gambling activities, ensure licensee undertakings are fulfilled, gambling devices are registered and certified, ensure complete and timely collection and remittance of taxes and fees, inspection of licensee premises, ensure licensees comply with FICA etc.

Target: Nine inspections, i.e. one inspection per PGB and one racing and betting inspection.

Performance: At the beginning of the year, the NGB determines a work schedule in consultation with PGBs to ensure availability of resources (finances and human capital) to carry out inspections at PGB offices. The 2007/2008 schedule was withdrawn prior to execution in the second quarter. The NGB and PGBs realised a need to review the overall approach of conducting physical work at PGB offices and to rather consider work performed by PGBs within the spirit of Section 41 of the Constitution.

The NGB developed a new strategy that needs to be accepted and approved by the Board and more especially by PGBs in that it binds them and requires their commitment. The onus and execution will lie with the PGBs. The approach has been accepted in principle by the PGBs and will be implemented in 2008/2009.

Challenge: The proposed strategy imposes responsibility over the PGB equally with the NGB, whereas previously the NGB was the ultimate responsible party. This approach does not jeopardise accountability, but strengthens it, and upholds Sec 41 of the Constitution.



M Burns
Manager: Compliance



M Maponya
Senior Inspector



S Mhlongo
Network Administrator

- 3. Objective:** Establishing and maintaining—
- (i) the national register of excluded persons;
 - (ii) the national central electronic monitoring system;
 - (iii) the national register of gambling machines and devices;
 - (iv) a central registry of information;
 - (v) the national probity register.

KPA: Establish and implement national systems which would provide reliable information and ensure protection to the public. Further reinforce integrity of the industry.

Requirements: The National Gambling Board is required to establish various national registers to ensure public protection, integrity of the gambling industry (responsible approach towards potential negative socio-economic impact), consolidate key information regarding the industry; accurate and timeous reporting of gambling activities, etc.

Target:

- March 2008
- Excluded persons
- Ongoing CEMS

Performance: *3.1. National register of excluded persons, probity and information.*

The NGB developed the national register of excluded persons, probity and information. During the research and design phases the NGB consulted with PG's and operators extensively to ensure effectiveness of the system, as these stakeholders would be key roleplayers in that data would be emanating from their working environments.

Subsequent to the system development, stakeholders were once more involved to endorse and commit to the project with the system owned and operated from the NGB offices. It is anticipated that the system will be fully implemented in the industry by June 2008.

The system requires software licensing and as a result the NGB further acquired a package that allows a thousand licenses for all stakeholders for the fiscal year ending March 2009. These licenses will be allocated proportionately to PGBs and operators. Additional licenses would be approved by the NGB and acquired at the operator's costs.

The NGB as the system owner, retains overall access to the system, whereas all other parties will access relevant sites for data capturing and view sites where access has been granted. Only the NGB will be able to remove excluded persons from the system, after due process has been followed. With regard to probity information the NGB will ensure no contravention of individuals' rights to privacy; hence only relevant information will be stored in the system.

Challenges: The NGB has provided for anticipated potential challenges throughout the process hence no further challenges are anticipated.

Performance: *3.2. National Central Monitoring System (CEMS)*

The service contract between the NGB and Zonke Monitoring Systems (Pty) Ltd (Zonke) continued throughout the year. Zonke is the only service provider for NGB, providing CEMS countrywide. The Service Level Contract (SLC) was amended during the year to accommodate the changing environment as and when provinces rolled out Limited Payout Machines.

The NGB audit team, joined by members from provinces, conducted a two phase audit and controls checklist audit. The Board accepted the audit reports which assured the reliability and effectiveness of CEMS.

Challenge: Some PGBs legislation still needs to be aligned with the National Gambling Act of 2004, which recognises Zonke as an agent of NGB, rather than a licensed service provider.

Performance: *3.3. National Machine Registry*

The NGB progressed through the research and design of the system to the extent that it is ready to be developed. However, the development has been delayed as a result of in-depth consultation with the industry. The PGBs have in principle agreed to the specifications, however the purpose that the registry would serve needs to be expanded beyond just recording, to include other functions like monitor movement of machines within South Africa and across borders and/or disposing of machines.

During the last quarter, the NGB solicited preliminary quotations based on a draft Request for Proposal, to ensure sufficient funding for the system development and implementation. The NGB, as owner of the system, will house and operate the system from the NGB offices.

Challenges: The first challenge is to address circumstances where manufacturers import machine parts which need minute rework to complete the machine within definition of items that need to be included in the register. Secondly, to ensure that this register operates concurrent with the PGBs' other systems and is not considered to replace, duplicate or eliminate some of the functions performed by their systems.

Currently quotes received are based on commercial models, whereas NGB may need to operate on cost recovery only.



Left to right:

P Makamo - Researcher, **E Jonkheid** - Manager: Information Management and **T Mango** - Senior Researcher.

Performance: 3.4. *Other information*

(a) Media Monitoring:

Management monitors media coverage on gambling related matters throughout the year; analyses information and reports such to the Board to alert members on matters of public interest within the gambling industry.

(b) National Gambling Statistics:

On a quarterly basis the NGB requests PGBs to provide critical information on turnover, gross gambling revenue (GGR) and taxes etc, for the casino, racing and betting, limited payout machines and bingo industries and consolidate same for national reporting.

At year end, this information is further analysed, verified and published on the website and made available to the public on request.

Challenges: Although the NGB provides information from the above sources, the accuracy cannot be confirmed as the NGB does not have control or full access to verify the information.

4. Objective: Monitor socio-economic impact of gambling activities.

KPA: Monitor socio-economic impact of legalised gambling within South Africa to inform policy on potential proliferation of gambling and harm to society.

Requirement: The NGB is required to continuously monitor the socio-economic impact of legalised gambling activities in South Africa and to inform policies and establish an appropriate regulatory framework. This includes monitoring gambling patterns and potential unfortunate consequences such as addictive or compulsive gambling by certain groups in of the society.

Target:

- Three studies to be concluded by year-end.
- Annual NRGF plan.

Performance: 4.1. *Socio-economic Impact*

To be well informed on the above subjects, the NGB conducts research studies with a particular focus year on year. During the current year, the Board commissioned the NGB inhouse research team to conduct three research studies.

The three qualitative studies focused on:

- Regular gamblers' perceptions on electronic bingo terminals;
- Female executives' perceptions on gender equity within the gambling industry, and
- Regular gamblers' perceptions on electronic measures to improve responsible gambling.

The team reported on its study findings, which were later reported to the National Gambling Policy Council. The researchers compiled a report with recommendations to address reported findings, and these will form part of the deliverables in the new financial year.

All the reports were launched in the media and distributed to stakeholders in April/May 2008.

The NGB commenced research work on the implications for possible legalisation of greyhound racing in South Africa, together with the team from the Department of Trade and Industry (**the dti**). This will be concluded in the new financial year.

Challenges: The above studies were conducted at licensee premises with their representatives attending some of the focus groups, that could have affected interviewee's conduct. However, it appeared that gamblers were not intimidated by the operators' presence.

Although the studies were all qualitative and do not present the general views of the population, they suffice to direct the way forward.

Performance: 4.2. *Addictive or compulsive gambling*

The NGB continues to address this unfortunate consequence jointly with operators through the institution of the National Responsible Gambling Programme (NRGP).

From the third quarter of the year, South Africa Gambling Regulators Trust (SARGT) reviewed performance of the NRGP and its structure.

A new structure and performance agreements were developed to be implemented from March 2008.

The operators levy of 0.1% of GGR fund the NRGP and the NGB fund the secretarial and independent chairpersonship of SARGT at ordinary increment inflation rate.

The financials and performance of the NRGP are reported separately from the NGB as it is funded and controlled jointly by other parties.

Challenges: The effectiveness of the programme requires commitment and willingness of affected parties and no other party has control over that. Further, there is a great expectation of 100% cure by affected parties, whereas they may not be putting effort on their side.

The NGB is fortunate to have worldwide experts, in terms of research on the subjects, engaged on the programme, who apply the latest technology at all time.

5. Objective: Advise NGPC on gambling activities.

KPA: Provide legal service and advise NGPC on gambling matters that impact on number of licenses for each gambling mode and policy regarding various modes of gambling.

Requirement: The NGB in consultation with PGBs and operators (where required) should advise the NGPC or the Minister of the Department of Trade and Industry on gambling matters.

Target:

- Twice per annum;
- Once the Interactive Gambling (IG) Bill is promulgated;
- July – September 2007 for Person to Person betting;
- October 2007 for sports betting tax.

Performance: *5.1. Maximum number of licenses for various types of gambling mode*

Currently Parliament and the National Council of Provinces (NCOP) are considering the Interactive Gambling Bill tabled by the Minister. The NGB team attended various legislature (national and provincial) briefing sessions to clarify the Bill to members. Once the process within parliamentary structures is complete, the NGB together with **the dti** Legislation and Policy Unit will advise the Minister on the appropriate regulations of interactive gambling within the approved policy. The amendments include provisions to address the ongoing concern over protection of the vulnerable, ensuring no excessive promotion of gambling, responsible gambling, appropriate collection of taxes, levies, fees, etc. The rules and regulations will address matters of taxes and the number of licenses to be issued.

Challenges: Whereas government would like to guard against proliferation of gambling within SA, interactive gambling/remote gambling is a consequence of technological developments. Technology in its nature, makes it even difficult to set fixed limit of operations, for it has no boundaries and the permutations within a system is its inherent organic growth. However, the NGBs advice to the Minister is informed by reported findings and recommendations of a technical team of experts, who were appointed to study the international best practices and therefore we are confident that our legislation will be one of the best in the world.

Performance: *5.2 Advise National Gambling Policy Council (NGPC) on matters of national policy*

5.2.1 Early in the year, the NGB technical team undertook a roadshow, sharing information gathered on Person to Person betting exchanges (P2P), with stakeholders and stakeholder concerns and international practices were recorded to inform policy recommendations made to Council.

The report was tabled at the NGPC for consideration and later in the year, views of PGBs were reported at the Council meeting as well.

Challenge: P2P policy formulated prior or outside interactive gambling pose a risk with a consequential loophole for the other. It is considered prudent to deal with these matters intertwined, alternatively in sequence of P2P following the interactive bill which is more encompassing. The NGB together with **the dti** team will advise the Minister on the most logical way of dealing with P2P policy.

5.2.2 Recently, the gambling industry experienced growth in bingo activities beyond imagination, due to the introduction of Electronic Bingo Terminals. This phenomenon, informed by the research, prompted the NGBs advice to Council on the need to review the bingo gambling policy as a growing mode. Previously very little was developed on the bingo policy due to the insignificant position it occupied in the gambling arena.

The NGPC at its March 2008 meeting, pronounced a view shared on a need for bingo specific policy. This endorsed view will further be developed in 2008/2009.

Challenges: NGB in consultation with stakeholders would be developing bingo policy while the industry is already established in other provinces. This situation may influence new policy taking into account existing practices.

Further, related bingo cases appearing before the court may cause a situation whereby the judges by default influence policy in progress, due to a judgment delivered without being informed by policy.

5.2.3 *Recommendation to the NGPC to bring about uniformity in the laws and practices among provinces or any other matter referred by the NGPC.*

The great achievement with regard to uniform practices is that during the latter part of the year the NGB compiled a set of operational rules of betting for bookmakers and totalisator operators respectively. These rules have been accepted by PGBs and endorsed by the Board. Another uniform practice accepted by PGBs is a revised structure of the tax on fixed odds sports betting. The NGPC endorsed a proposal to remove taxation from punters on winning fixed odds sports bets and to replace it with Gross Gaming Revenue (GGR) tax; the new tax tariff to be levied at 6,5% on GGR.

NGB together with PGB and SABS reviewed a standard for wagering software.

Another matter under consideration is the treatment of the CEMS service provider as an agent of the NGB. Once this matter is resolved, we will see common amendment of provincial legislations. This matter was referred to regulators by the NGPC.

Challenges: The process and lead time of processing legislative matters differ from province to province. For instance, at the NGPC meeting in March 2008 the report reflected only the Gauteng Gambling Board as positioned to meet the July 2008 deadline on the new tax structure for fixed odds sport betting. The next earliest date for other provinces will be when their provincial finance budget is tabled in 2009.

6. Objective: Monitor market share and market conduct in the industry.

KPA: Compile reports from data gathered from PGBs to reflect and enable monitoring of market share and market conduct in the industry.

Requirement: To monitor market share and market conduct in the industry and to refer any concerns regarding market share or prohibited practices, including possible monopolies.

Target: Quarterly reports

Performance: The NGB periodically gathers information from PGBs and analyses it on a quarterly bases. The purpose is to determine alarming movement in patterns and trends so as to launch an investigation if necessary, and to react accordingly.

With regard to potential monopolies, the NGB is fortunate to have complementary services of experts located within the Competition Commission, whose core mandate is to guard against such practices.

At year end NGB identified a service provider to assist in analysing data and to report on market share.

Challenges: Whereas NGB monitor trends and patterns depicting market conduct, there are no guidelines within the National or PGB regulations giving effect to the number of gambling machines an operator may introduce to the floor and for them to play by the public. Initially, regulators were guided by the maximum applied for during the bidding process. However, NGB has observed instances whereby such limits have been exhausted and have allowed for extension by PGBs. By default it appears that floor space and the prescribed spacing between machines currently serve as a determination.

Should this situation reach alarming limits, the NGB will direct resources to address it with PGBs in a manner that would culminate in policy advice to the NGPC.



DJ Pillay

Manager: Racing & Betting



E Machabaphala

Senior Inspector: Racing & Betting



V Northmore

PA to COO



DT Marasha

COO

- 7. Objective:** Provide broad-based public education.
- KPA:** Educate the general public on potential harm that gambling activities may bring to society and spell out the myth that may lead to excessive gambling.
- Requirement:** In pursuit of addressing unfortunate risks inherent to gambling, the NGB is required to continuously educate the public on same.
- Target:** June to September 2007
- Performance:** The NGB together with the NRGF pooled resources to produce a broad-based public awareness and education campaign. The campaign was driven in a form of commuters' media, reflecting celebrities from TV soapies and the sports arena. The celebrities held print media interviews, followed by messages quoted on commuters' media, educating the public about the risk of gambling. The message was spread on the socio economic impact of gambling on society and potential compulsive gambling.
- The campaign was targeted for the low market, using all modes of public transport utilised by them in Gauteng from June to August 2007.
- The NGB agreed with onair and in the print media to accept only gambling adverts approved by regulators.
- Challenges:** The financial resources available for a campaign considered so powerful, unfortunately could only be carried out in Gauteng Province., whereas celebrities used are icons countrywide.
- 8. Objective:** Liaison with foreign and international authorities.
- KPA:** Liaise with foreign and international stakeholders to share information and to learn from each other on matters of gambling research.
- Requirement:** The NGB has the authority to liaise with international authorities which foster similar objectives.
- Target:** GRAF conference in November 2007.
- Performance:** The NGB continues to serve as permanent secretariat to the Gambling Regulators Africa Forum (GRAF) and to strive to seek more members on the continent beyond the current members of GRAF. In March 2008 the NGB fostered relations with Ghana and Mauritius whose representatives attended the GRAF plenary sessions held in South Africa, arranged to overlap with the 5th Biennial Gambling Conference.

The NGB was part of the team that arranged for the GRAF conference held in Malawi in November 2007.

Although the NGB staff do not serve on the International Association of Gambling Regulators (IAGR) steering committee, representatives serving from PGBs inform us continuously through our various foras, on developments flowing from there.

Functions bestowed by other applicable legislation and underlying gambling policy matters.

1. Objective: Assist PGB to detect and eradicate illegal gambling activities.

KPA: Assist PGBs to ensure that unlicensed gambling activities are detected as contemplated in the National Gambling Act, No 7 of 2004.

Requirement: All operators should be licensed for the activities they engage in or offer within the industry. Hence the NGB and PGBs have the responsibility to ensure that only legal operators participate in the industry in terms of the conditions of their licenses. The process of licensing operators includes factors that would ensure public protection and the integrity of the industry.

Target: Ongoing

Performance: The NGB has over a period been liaising with national law-enforcement agencies i.e. SAPS, NIA, Asset Forfeiture Unit, Scorpions, etc in an effort to eradicate known illegal operators within North West Province. Concurrent to the process, the NGB advised the Minister of Trade and Industry to engage North West's political head on the same matter.

It has been a long process, which resulted in project GOBLIN registered with the national SAPS. Just past the yearend project, GOBLIN launched a search and arrest on major illegal operators. Media reported on its success which saw various arrests including confiscating machines to the value of more than R150 million.

Challenges: An effective strategy to detect and eradicate illegal operators requires substantial time and economic resources. The most challenging factor is a cohesive team from various government departments.

2. Objective: Comply with PFMA and National Treasury Regulations by implementing appropriate internal control systems.

KPA: To ensure compliance with PFMA, and that internal control systems are effective and efficient.

Requirement: The NGB as a schedule 3A entity enlisted on PFMA is required to ensure accountability and implement efficient and effective systems of internal controls.



Left to right:

M Benn - PA to CFO, **S Mthombeni** - Senior Accountant, **K Makopo** - Accounts Assistant,
K van Dyk - Bookkeeper and **ME Ntsowe** - CFO.



Left to right:
ME Ntsowe - CFO, **RT Mokoena** - Manager: HR, **B Leola** - General Office Assistant, **M Mangwanatala** - HR Officer
and **M Lekala** - Office Assistant

Target: Monthly, quarterly and annual reports on due dates prescribed by PFMA and NGB policies.

Performance: The NGB upholds the requirements of PFMA. To ensure continuous effective compliance, the board engaged the services of an Internal Auditor service provider to assure management that:

- Operational policies and procedures developed are effective and complied with;
- Operational systems (including IT) are efficient and effective to preserve the financial resources of the NGB;
- Reported information is timeous, relevant, accurate and complete.

The Internal Auditor is overseen by the Audit Committee that advises the Board.

Challenges: It is critical for the Chief Financial Officer to continue to update the non-finance managers on PFMA requirements.

3. Objective: To ensure that the gambling industry complies with codes of good practice.

KPA: To ensure that monitoring of operators is not limited to compliance with license conditions only, but all other relevant legislations, including codes of good practice.

Requirements: All business in South Africa are expected to embrace codes of good practice launched by the Minister of Trade and Industry.

Target: New parties joining the industry.

Performance: PGBs are compiling BBBEE status reports among their operators, to report on the level of code of good practice. This is a phase two of the BEE audit previously performed by the NGB.

The purpose of the exercise is to determine appropriate minimum levels that operators of each category should attain, and to advise the NGPC accordingly.

For the developing sector of more than five limited payout machines, the NGB has revised the evaluation criteria. The new criteria require BBBEE level 5 compliance by applicants. This level eliminates barriers of entry to the industry.

Challenge: The industry finds it difficult to translate bid commitments into sections of code and even so, interpret social contribution commitments into levels. Regulators and operators have formed a joint team to derive a solution that would lead to completion of the exercise.

4. Objective: Review and implement policies and procedures to ensure compliance with labour laws.

KPA: To develop/review human resource policies and procedures within prescribed laws and to adopt labour practices that place the NGB as employer of choice.

Requirements: All employers are required to comply with relevant sections of the labour laws.

Target: Annually.

Performance: The NGB in its effort to be the employer of choice within the employment market ensures compliance at all times.

Operational policies and procedures are reviewed annually to ensure continuous compliance, and create a constructive environment for employees as intended by law.

Opportunities were sought to foster personal development of staff and strategy developed to retain them and build a cohesive team. The NGB, HR personnel explore and research the market to ensure comparative compensation to staff and reward for excellence through implementation of the performance management system.

In the current year, HR introduced a staff recognition system to be implemented in the new year. Staff members are consulted at all times on matters that involve their welfare. The NGB registered an employment equity plan with the Department of Labour.

5. Objective: To adopt a system of good governance and good practice.

Requirements: The NGB is expected to implement a code of good practice in developing structures and decision making processes. The new Board members need to be orientated on the NGB mandate and their responsibilities on appointment.

KPA: Ensure structures of good corporate governance are implemented within the NGB.

Target: Ongoing.

Performance: The NGB legal team advised the Board to establish a good governance committee with approved terms of reference.

All Board structures are advised and guided on their responsibilities when the agenda for meetings are set, level of authority when decisions are taken and/or committing the NGB in the form of contracts.

During the third quarter, the Board was orientated on horse racing and bingo activities prior to deliberating on policy matters that were later presented at the NGPC.

Further, all operational contracts that NGB entered into, are reviewed annually to ensure appropriateness and NGB's protection and compliance.

Challenges: Board members that join later than others may not enjoy the benefit of full interaction during the specially arranged overall orientation sessions due to sessions held.

6. Objective: The NGB needs to operate within the structures set in the Constitution.

KPA: To build working relationships and approach assignments in a manner that would be effective without duplications.

Requirements: Gambling regulation is a concurrent responsibility of national government and the provinces. The NGB is expected to execute its functions within the relevant structures.

Target: Ongoing.

Performance: The NGB and the PGB have set up various functional fora to liaise, share and advise one another. The fora meet on a regular basis and in most cases strive for consensus and uniformity in applications. These sessions are respected by all and attended religiously with excellent participation.

It is in the spirit of the Constitution that the NGB is reviewing its approach to evaluate the PGB in the monitoring functions they perform over licensees.

Challenges: The evaluation and oversight functions of the NGB is core to delivery on the mandate hence the revised strategy is determined carefully not to compromise delivery over extraordinary emphasis of co-operative governance as articulated by the Constitution.

The new approach needs to be practised with caution and to allow flexibility.

7. Objective: Combat money laundering and financing of terrorism activities.

KPA: To ensure that suspicious transactions that may lead to money laundering and financing of terrorism activities within the industry, are reported timeously and according to Financial Intelligence Centre Act (FICA).

Requirement: In terms of FICA, the NGB is the supervisory body of all accountable institutions within the gambling industry. It is entrusted with the responsibility of ensuring compliance and to report the status of industry compliance to the FIC on a regular basis.

- Target:**
- One Totalisator
 - Forty totalisator outlets
 - Thirty four Casinos by 30 June 2008
 - 100 Bookmakers

Performance: From the 2nd quarter of the year, the NGB on advice from the FIC paid special attention to FICA compliance within the industry.

A second round of inspections concluded on all accountable institutions by June 2008. It is important that the NGB prepares the industry for the Financial Action Task Force evaluation process.

The NGB compliance staff in some instances joined by FIC Compliance Officers conducted inspections at 25 casinos and 44 bookmaker outlets.

Inhouse Racing and Betting industry NGB staff had to first orientate FIC staff, then in conjunction with FIC train the PGB staff, totalisator operators and bookmakers on their FICA obligations. Time spent on the job was excessive, but accomplished the desired outcome.

By year end, the Board had approved FICA guidelines developed for casinos to ensure compliance and industry uniformity.

Challenges: The major challenge was on financial recourses. NGB had to reallocate PGB oversight funding to conduct FICA inspections.

General Comment:

The National Gambling Board is proud to have achieved the deliverables outlined above, and in the new year, as a mechanism to enhance delivery and reporting, we have defined clear deliverables and targets that would be monitored on a regular basis.



MAF Moja
Acting CEO



M Grobler
PA to CEO



PART TWO

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NGB

REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the year ended March 31 2008.

Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder. During the year under review, six meetings were held. This is in compliance with the committee's approved Charter, which requires that the committee hold at least four meetings per annum.

Name of Member	Number of Meetings Attended
Mr. JFJ Scheepers (Chairperson)	6
Ms. T Mahlali	2
Ms. D Tshabalala (appointed in May 2007)	4
Mr. V Masola	2
Ms. T Moja (resigned October 2007)	4

Audit Committee Responsibility

The Audit Committee reports that it has executed its responsibilities arising from Section 77 of the Public Finance Management Act (Act 1 of 1999 as amended) and Treasury Regulations 27.1.10.

The Audit Committee also reports that it has adopted an appropriate Audit Committee Charter, has regulated its affairs in compliance with the Charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

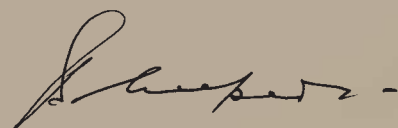
The Internal Audit through its reports provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements and management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, the committee can report that the systems of internal control for the period under review have been effective and efficient within the entity.

Evaluation of Financial Statements

The Audit Committee has:

- Reviewed and discussed with the Auditor-General and management the audited annual financial statements to be included in the Annual Report;
- Reviewed the Auditor-General's management letter and management's response;
- Reviewed changes in accounting policies and practices; and
- Reviewed adjustments resulting from the audit.

The Audit Committee concurs with and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



JFJ Scheepers

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NATIONAL GAMBLING BOARD FOR THE YEAR ENDED 31 MARCH 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the National Gambling Board which comprise the statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 44 to 73.

Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the National Gambling Act, 2004 (Act No. 7 of 2004). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with Section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and Section 75(2) of the National Gambling Act, 2004 (Act No. 7 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The public entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1.

Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the National Gambling Board as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury as set out in accounting policy note 1.1 and in the manner required by the PFMA.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Matters of governance

10. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The public entity had an audit committee in operation throughout the financial year.	X	
• The audit committee operated in accordance with approved, written terms of reference.	X	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	X	
Internal audit		
• The public entity had an internal audit function in operation throughout the financial year.	X	
• The internal audit function operates in terms of an approved internal audit plan.	X	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	X	
Other matters of governance		
The annual financial statements were submitted for audit as per the legislated deadlines (section 55 of the PFMA for public entities).	X	
The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	X	
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	X	
The prior year's external audit recommendations have been substantially implemented.	X	

OTHER REPORTING RESPONSIBILITIES REPORT ON PERFORMANCE INFORMATION

11. I have reviewed the performance information as set out on pages 18 to 36.

Responsibility of the accounting authority for the performance information

12. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Responsibility of the Auditor-General

13. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.

14. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

15. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Content of the strategic plan

16. The 2006-2009 strategic and annual plans of the National Gambling Board did not include outcomes/targets as identified by the executive authority for assessing the public entity's performance in delivering the desired outcomes and targets.

Objectives reported in annual report, but not predetermined as per strategic/corporate/annual performance plan

17. I draw attention to the fact that the following objective is reported in the annual report of the National Gambling Board, although it was not included as a predetermined objective in the strategic/annual plan:

- Monitoring and investigating when necessary the issuing of national licences by provincial licensing authorities.

APPRECIATION

18. The assistance rendered by the staff of the National Gambling Board during the audit is sincerely appreciated.

Auditor-General

Pretoria
29 July 2008



A U D I T O R - G E N E R A L

BOARD MEMBERS' REPORT

1. Introduction

The current Board was the first appointed in terms of Section 67 of the National Gambling Act No 7 of 2004. Members were appointed for a three-year term, and during the term there were no major amendments to the Act, particularly to the functions/mandate of the board.

2. The Board Members' Mandate

At the time of appointment, Board members accepted and undertook to deliver on the mandate of the National Gambling Board, further elaborated on as functions in terms of Section 65 of the Act.

Performance of the **board** for the year is reported under the Performance Information Report. Whereas the mandate remained the same throughout the term, the Board is happy to report on a consistent "results driven" approach which they adopted. The approach and functional areas were highlighted in a three-year strategic rolling plan, and this year was no exception.

3. Composition of the Board

The members of the Board representing the Department of Development, and the Department of Safety and Security were withdrawn, due to changes in the incumbents' job responsibilities during the second year in office, but unfortunately those vacancies were never filled until end of 31 March 2008. The previous member from Safety and Security assisted **the board** in affording the industry resources to assist in the eradication of illegal operators in North West Province. They were team members on project GOBLIN, which made a breakthrough in April 2008.

4. Key Objectives for the year

The Board's key objectives for 2007/8 and their achievements are clearly reported under Performance Information. However, it is worth reporting that their achievements were not met without challenges, some not even to the Board's level of acceptance. The challenges are also included in the report.

4.1 Highlights on achievements

4.1.1 *Probity and Exclusions on National Database (including information)*

The Board is proud to announce the full development of the system to an extent that roll out to the industry will commence during the last week of May 2008. This is an ultimate mechanism to protect the public from compulsive gambling through self-exclusion. The system provides a facility to record critical information in respect of key roleplayers within the industry and will enable close monitoring to ensure the integrity of the South African gambling industry.

4.1.2) National Machine Registry

The IT strategy that the Board adopted yielded another technology-based register being clearly researched and designed by the National Gambling Board. Although the system will be developed in the new year, the system has in principle been endorsed by regulators, including our counterparts on the African continent through the Gambling Regulators African Forum (GRAF). The system will among others, be utilised to monitor the movement of gambling machines and devices around and across borders, as a mechanism to deter illegal activities.

4.1.3) Financial Performance

The Board played an active role in monitoring its financial performance and ensuring good financial management and control over budget. It is therefore not surprising that the financial results were a complete (150%) turnaround from 2006/07. The foundation was laid through management plans and a system to ensure the trend remains.

5. Leadership

The Board as an Accounting Authority provided leadership and guidance to management with regular meetings. The daily operations are guided by the Chief Executive Officer. Following the resignation of the previous Chief Executive Officer in March 2007, the Board resolved that in the interim, the Deputy Chairperson of the Board, Ms MAF Moja, be appointed and assume the position of the Acting CEO for a period of 12 months (from October 2007 to September 2008), pending the Minister's endorsement. The National Gambling Act No 7 of 2004, stipulate that the Board in employing a CEO, must consult with the Minister of Trade and Industry. At reporting date, March 31 2008, a response was not yet received from the Ministry. The salary paid to the Deputy Chairperson in her capacity as the acting CEO may be constructed as irregular.

The term of office of the Board was due to end on 31 March 2008 and **the dti** called for the nomination of Board members in February 2008. The Minister of Trade and Industry extended the term of office of current members to serve on the board until the new Board is appointed.

NATIONAL GAMBLING BOARD

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2007/08 R'000	2006/07 R'000 Restated
Revenue			
Government Grant	2.1	18,855	19,645
Interest Income	2.2	615	249
Other Income	2.3	56	54
Total Revenue		19,526	19,948
Expenses			
Amortisation - Software	3.1	41	20
Depreciation	3.2	180	190
Auditors' Remuneration	3.3	616	297
Board and Executive members' Remuneration	3.4	3,200	4,206
Professional and Consulting Fees	3.5	1,365	2,095
Personnel Costs	3.6	6,665	8,951
Traveling and Subsistence	3.7	1,443	2,216
Other Operating Expenses	3.8	2,341	1,768
Operating Leases	3.9	1,090	1,223
Finance Charges	3.10	21	19
Impairment Loss	3.11	2,032	-
Total Expenses		18,994	20,985
Net Surplus (Deficit) for the year		532	(1,037)

NATIONAL GAMBLING BOARD

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2007/08 R'000	2006/07 R'000 Restated
ASSETS			
Current Assets			
Accounts Receivable and Prepayments	4	287	107
Inventories	5	30	-
Cash and Cash Equivalents	6	4,283	3,324
		4,600	3,431
Non-current Assets			
Plant, Property and Equipment	7	414	561
Intangible Assets	8	512	2,138
		926	2,699
Total Assets		5,526	6,130
LIABILITIES			
Current Liabilities			
Trade and other Payables	9	1,554	2,133
Provisions	10	913	1,444
Finance Lease	11	26	26
		2,493	3,603
Non-current Liabilities			
Finance Lease	11	17	43
Total Liabilities		2,510	3,646
NET ASSETS			
Accumulated Surplus		3,016	2,484
Total Liabilities and Reserves		5,526	6,130

NATIONAL GAMBLING BOARD

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2008

	Note	Accumulated Surpluses
		R'000
Balance at 1 April 2006		3,581
Prior year restatement	21	(60)
Restated Balance at 1 April 2006		3,521
Net Deficit as previously reported		(665)
Prior year restatement	21	(372)
Net Deficit for the year as restated		(1,037)
Restated Balance at 31 March 2007		2,484
Net Surplus for the year		532
Balance at 31 March 2008		3,016

NATIONAL GAMBLING BOARD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2007/08 R'000	2006/07 Restated R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants		18,855	19,645
Interest Received	2.2	615	249
Other Receipts		55	35
Payments			
Employee Costs		(9,865)	(13,157)
Suppliers		(8,176)	(5,818)
Interest Paid	3.10	(21)	(19)
Net cash flows from operating activities	12	1,463	935
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(40)	(57)
Proceeds from Sale of Property, Plant and Equipment		10	21
Purchase of Intangible Assets		(448)	(648)
Net cash flows from investing activities		(478)	(684)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Lease Liability		(26)	(26)
Net cash flows from financing activities		(26)	(26)
Net increase in cash and cash equivalents		959	225
Cash and cash equivalents at beginning of year		3,324	3,099
Cash and cash equivalents at end of year	6	4,283	3,324

NATIONAL GAMBLING BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

1 ACCOUNTING POLICIES

The annual financial statements have been prepared on the historical cost basis and include the following principal accounting policies of the National Gambling Board which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

1.1.1. Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distribution to owners	Dividends

1.1.2. The cash flow statement can only be prepared in accordance with the direct method.

1.1.3 Specific information has been presented separately on the statement of financial position, such as:

- a) Receivables from non-exchange transactions, including taxes and transfers;
- b) Taxes and transfers payable;
- c) Trade and other payables from non-exchange transactions;

1.1.4. Amount and nature of any restrictions on cash balances is required.

Paragraph 11 - 15 of GRAP 1 has not been implemented due to the fact that the local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

1.2 Significant Accounting Judgements and Estimates

In preparing the financial statements, management makes estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include: provision for doubtful debts, bonus provision, leave provision, useful lives and depreciation methods and asset impairment. Notes relating to the subject are included under the affected areas of the financial statements.

Management believes that accumulated surplus funds are already committed and as such would be used to honour outstanding financial obligations of the Board in terms of trade payables. The net surplus for the current year would be either stated as a current liability payable to Treasury or a contingent liability where a submission was made seeking approval to utilise such funds on specific projects intended in the new financial year.

1.3 Presentation currency

These financial statements are presented in South African rands since that is the currency in which the majority of the National Gambling Board transactions are denominated.

1.4 Rounding

Unless otherwise stated all financial figures have been rounded off to the nearest one thousand rand (R'000).

1.5 Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the National Gambling Board and can be reliably measured.

Government grants are recognised when there is reasonable assurance that such grant will be received and all related conditions are complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of financial performance over the expected useful life of the relevant asset by equal annual instalments.

Interest is recognised on a time proportion basis that takes into account the effective yield on assets.

1.6 Unauthorised, Irregular, Fruitless and Wasteful Expenditure

In terms of section 55(2)(b)(i) of the Public Finance Management Act, 1999 the financial statements must include particulars of any irregular and fruitless and wasteful expenditure.

All unauthorised, irregular, fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

1.7 Inventory

Inventory is stated at the lower of cost or net realisable value while cost is determined on a first-in-first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business less any costs incurred in selling and distribution. Inventory comprise of stationery that shall be consumed within a short-term period in the normal business of the entity and not held for sale.

1.8 Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the entity
- the cost of the item can be measured reliably

Cost includes all costs directly attributable to bringing the assets to working condition for their intended use and ready for use.

Depreciation is provided on a straight line basis over the respective estimated useful lives of the assets, which are as follows:

Furniture and office equipment	10 years
Computer equipment	5 years
Motor vehicle	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is immediately written down to its recoverable amount. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Gains or losses arising from the disposal or retirement of assets are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised in or charged against income.

1.9 Intangible assets

Costs associated with research or maintenance of software programs are recognised as an expense and are charged to the statement of financial performance when incurred. Identifiable development costs are recognised as an asset when it is probable that it will give rise to an asset that will generate future economic benefits for the entity.

Development costs are only recognised as assets if they meet the following conditions:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development costs of the asset can be measured reliably.

Expenditure that enhances or extends the performance of computer software programs beyond their original specifications is recognised as a new acquisition.

National Databases (Internally Generated)

Internally generated software programs are initially recognised at cost. Intangible assets with indefinite useful lives, if any, are not amortised but tested for impairment annually and impaired if necessary.

National databases with a finite useful life are amortised over their useful life (5 years) using a straight line basis and tested for impairment at each reporting date. A database is amortised only once it is complete.

Purchased Software

Software licenses are carried at cost less accumulated amortisation and impairment. Software is amortised over three years on a straight-line basis.

1.10 Impairment

The carrying amounts of property, plant and equipment are reviewed for impairment when events or circumstances indicate that the carrying values may not be recoverable. If any such indicators exist and where the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to its recoverable amount through the statement of financial performance.

1.11 Leased assets

Finance Lease

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of financial performance.

Operating Lease

Leases under which the lessor effectively retains the risks and benefits of ownership are classified as operating leases. Obligations incurred under operating leases are charged against income in equal instalments over the period of the lease.

1.12 Financial instruments

Financial instruments are recognised on the statement of financial position when the entity becomes party to the contractual provisions of the instrument. Financial instruments include cash and bank balances, receivables and trade payables. These financial instruments are generally carried at their estimated fair value, which is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Financial assets

The entities principal financial instruments are cash at bank and cash, trade payables, trade receivables and other receivables.

Recognition

Financial instruments are initially recognised using the trade date accounting method.

Measurement

Financial instruments are initially measured at cost or fair value net of transaction costs when the entity is a party to contractual arrangement. Subsequent to initial recognition, these instruments are measured as set out below.

Trade and other payables

Trade and other payable are stated at amortised cost, comprising original debt less principal payments.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and are measured at net realisable value.

Trade and other receivables

Trade and other receivables are stated at cost less provisions and discounts.

Gains and losses

Gains and deficits arising from a change in the fair value of financial instruments are included in net surplus or deficit in the period in which they arise.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.13 Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Gains and losses arising on translation are credited to or charged against income.

1.14 Provisions

Provisions are liabilities of uncertain timing or amount. They are recognised when there is a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees entitlement to annual leave is recognised when it accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up to the amount of the obligation.

Employee's entitlement to performance bonus is recognised when the entity has approved a percentage of the annual package as bonus for the year. The provision becomes actual after being qualified by the results of the performance measurement tool applied.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

1.15 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to salaries, and annual leave represent the amount which the entity has a present obligation to pay as a result of employees' services provided at the reporting date. The provisions have been calculated at undiscounted amounts based on current salary rates.

Retirement benefits

Provident fund

Both the entity and employees contribute to a defined contribution fund. Benefits are provided to all eligible employees. Contributions to the provident fund operated for employees are charged against income as incurred.

1.16 Comparative figures

Prior period comparative information has been presented in the current year financial statements. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

1.17 Taxation

The entity's income is exempt from taxation in terms of Section 10(1)(cA) of the Income Tax Act.

1.18 Contingent Liabilities

Contingent liabilities are possible obligations that arose from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity.

	2007/08 R'000	2006/07 R'000
2 REVENUE		
2.1 Grants, Receipts and Transfers		
Department of Trade and Industry	18,855	19,645
	18,855	19,645
2.2 Interest Income		
Bank Deposits	615	249
	615	249
2.3 Other Income		
Profit on Disposal of Equipment	1	19
Central Electronic Monitoring System (CEMS) Contract Fee	54	-
Gain on Foreign Exchange	1	35
	56	54
3 EXPENSES		
3.1 Amortisation of Intangible Assets		
Computer Software - Licensed	41	20
	41	20
3.2 Depreciation		
Furniture and Office Equipment	15	17
Computer Equipment	117	125
Vehicles	35	35
Leased Office Equipment	13	13
	180	190
3.3 Auditors' Remuneration		
External Audit Fee	616	297
	616	297
3.4 Directors Emoluments		
Board Members' Remuneration		
Mr CL Fisser	754	731
- Board Allowance	447	427
- Travel Claims	2	-
- Infrastructure	305	304

NATIONAL GAMBLING BOARD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 MARCH 2008 *continued*

In terms of the agreement, Mr CL Fisser received R25,390 per month as payment for the use of his premises and facilities to perform duties as the Board's Chairperson.

	2007/08	2006/07
	R'000	R'000
Ms MAF Moja (Appointed as Acting CEO 1 October 2007)	163	342
- Board Allowance	131	277
- Travel Claims	2	5
- Infrastructure	30	60

In implementing a Board resolution, Ms MAF Moja received R5,000 per month as payment for the use of her premises and facilities to perform duties as the Board's Deputy Chairperson from 1 April 2007 to 30 September 2007.

Ms LJN Kganyago	94	107
- Board Allowance	87	102
- Travel Claims	7	5

Adv TN Aboobaker	53	71
- Board Allowance	50	69
- Travel Claims	3	2

Ms N Magomola (Resigned 11 April 2006)	-	4
- Board Allowance	-	4

Z Mdhladhla	85	4
- Board Allowance	81	4
- Travel Claims	4	-

Chief Executive Officer - Adv TW Majake (resigned 31 March 2007)	-	1,691
- Basic Salary	-	726
- Pension	-	102
- Medical Aid	-	28
- Bonus	-	97
- Payment in lieu of leave	-	82
- Severance Package	-	656

Chief Financial Officer - ME Ntsowe	796	487
- Basic Salary	582	429
- Pension	82	58
- Medical Aid	22	-
- Bonus	86	-
- Payment in lieu of leave	24	-

NATIONAL GAMBLING BOARD NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008 *continued*

	2007/08 R'000	2006/07 R'000
Chief Operations Officer - Mr T Marasha	764	702
- Basic Salary	555	515
- Pension	81	76
- Medical Aid	39	45
- Bonus	89	43
- Payment in lieu of leave	-	23
Chief Financial Officer - VF Memani-Sedile (resigned 15 April 2006)	-	67
- Bonus	-	47
- Payment in lieu of leave	-	20
Acting Chief Executive Officer - Mr T Marasha (1 April 2007 to 30 September 2007)	72	
- Basic Salary (Acting allowance)	72	-
Acting Chief Executive Officer - Ms MAF Moja (Appointed 01/10/2007)	419	-
- Basic Salary	419	-
	3,200	4,206
3.5 Professional and Consulting Fees		
Legal Fees	363	783
Research	21	242
CEMS	-	71
Other Consulting Fees	499	674
Internal Auditors' Fees	435	119
Probity Investigations for New Appointments	-	15
Audit Committee Fees	47	53
Miscellaneous	-	138
	1,365	2,095
3.6 Personnel Costs		
Wages and Salaries		
Salaries, Bonuses and Overtime - excl CEO, CFO & COO	6,111	7,215
Contract and Temporary Staff	64	370
Payment in Lieu of Leave	122	122
Other Non-pensionable Allowance - Cellphone	-	237
UIF	36	63
Insurance & Administration of the Provident Fund	237	241
Other Salary Related Costs	95	703
	6,665	8,951

NATIONAL GAMBLING BOARD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 MARCH 2008 *continued*

	2007/08 R'000	2006/07 R'000 Restated
3.7 Travel and Subsistence		
Local	624	794
Overseas	819	1,422
	1,443	2,216
3.8 Other Operating Expenses		
Communication Costs	1,226	153
Conference, Forum, and Workshop Expenses	116	870
Administrative Expenses	375	314
Maintenance, Repairs and Running Costs	131	97
Other	493	333
	2,341	1,768

Communication costs include an amount of R816,000.00 paid towards a Gambling Awareness Campaign conducted during the year.

3.9 Operating Lease		
Current Year		
Premises	1,090	1,223
	1,090	1,223

The future minimum lease payments under non-cancellable operating leases for the Board's offices are as follows:

Within 1 year	829	828
1 to 5 years	4,720	4,140
Thereafter	11,446	12,420
	16,995	17,388

Lease Period: 24 March 2006 to 24 March 2021

3.10 Finance Charges		
Interest Paid - Finance Lease	21	19
	21	19
3.11 Impairment Loss		
Probity and Exclusions National Database written off	2,032	-
	2,032	-

	2007/08 R'000	2006/07 R'000
4 ACCOUNTS RECEIVABLE AND PREPAYMENTS		
Deposits and Prepayments	277	63
Other Receivables	13	44
Less: Provision for doubtful debts	(3)	-
	287	107

Prepaid expenses include R266,000 (50% deposit) paid to Emperors Palace for conference venue facilities due for April 2008 conference.

Provision for doubtful debts is based on 100% possible non-recovery of R3,144 from a single debtor whose account has been outstanding for over 12 months.

5 INVENTORY		
Stationery on Hand	30	-
	30	-

No discounts or rebates were received from the purchase of inventory during the year.

6 CASH AND CASH EQUIVALENTS		
Cash at Bank	564	103
Cash on Hand	2	4
Short-term Investments	3,717	3,217
	4,283	3,324

Included in cash is an amount of R432 000 held in trust as unlawful winnings, pending decision of the courts. The CFO and the COO are trustees of this trust.

7 PROPERTY, PLANT AND EQUIPMENT	Office Equipment (Leased)	Furniture & Office Equipment	Computer Equipment	Motor Vehicles	Total
Year Ended 31 March 2006					
Net Book Value 1 April 2005	120	86	399	-	605
Cost	129	311	998	68	1,506
Accumulated Depreciation	(9)	(225)	(599)	(68)	(901)
Additions	-	22	132	173	327
Disposals	-	(11)	(15)	-	(26)
Cost	-	(47)	(165)	(68)	(280)
Accumulated Depreciation	-	36	150	68	254
Depreciation Charge	(13)	(24)	(141)	(32)	(210)

NATIONAL GAMBLING BOARD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 MARCH 2008 *continued*

Cost	129	286	965	173	1,553
Accumulated Depreciation	(22)	(213)	(590)	(32)	(857)
Net Carrying Amount 31 March 2006 (Restated)	107	73	375	141	696
Year Ended 31 March 2007					
Net Book Value 1 April 2006	107	73	375	141	696
Cost	129	286	965	173	1,553
Accumulated Depreciation	(22)	(213)	(590)	(32)	(857)
Additions	-	-	57	-	57
Disposals	-	-	(2)	-	(2)
Cost	-	-	(12)	-	(12)
Accumulated Depreciation	-	-	10	-	10
Depreciation Charge	(13)	(17)	(125)	(35)	(190)
Cost	129	286	1,010	173	1,598
Accumulated Depreciation	(35)	(230)	(705)	(67)	(1,037)
Net Carrying Amount 31 March 2007 (Restated)	94	56	305	106	561
Year Ended 31 March 2008					
Net Book Value 1 April 2007	94	56	305	106	561
Cost at beginning of Year	129	286	1,010	173	1,598
Accumulated Depreciation	(35)	(230)	(705)	(67)	(1,037)
Additions	-	-	40	-	40
Disposals	-	(7)	(1)	-	(8)
Cost	-	(15)	(4)	-	(19)
Accumulated Depreciation	-	8	3	-	11
Depreciation Charge	(13)	(15)	(117)	(35)	(180)
Cost	129	271	1,047	173	1,620
Accumulated Depreciation	(48)	(237)	(819)	(102)	(1,206)
Net Carrying Amount 31 March 2008	81	34	228	71	414

8 INTANGIBLE ASSETS	Internally Generated (National Database)	Computer Software- Licensed	Total
	R'000	R'000	R'000
Year Ended 31 March 2006			
Net Book Value 1 April 2005	1,492	16	1,508
Cost	1,492	246	1,738
Accumulated Amortisation	-	(230)	(230)
Additions	-	15	15
Disposals	-	-	-
Cost	-	(104)	(104)
Accumulated Amortisation	-	104	104
Amortisation	-	(13)	(13)
Cost	1,492	157	1,649
Accumulated Amortisation	-	(139)	(139)
Net Carrying Amount 31 March 2006	1,492	18	1,510
Year Ended 31 March 2007			
Net Book Value 1 April 2006	1,492	18	1,510
Accumulated Amortisation	1,492	157	1,649
	-	(139)	(139)
Additions	540	108	648
Amortisation	-	(20)	(20)
Cost	2,032	265	2,297
Accumulated Amortisation	-	(159)	(159)
Net Carrying Amount 31 March 2007	2,032	106	2,138
Year Ended 31 March 2008			
Net Book Value 1 April 2007	2,032	106	2,138
Cost	2,032	265	2,297
Accumulated Amortisation	-	(159)	(159)

NATIONAL GAMBLING BOARD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 MARCH 2008 *continued*

Additions	448	-	448
Disposals:	-	(1)	(1)
Cost	-	(4)	(4)
Accumulated Amortisation	-	3	3
Impairment	(2,032)	-	(2,032)
Amortisation	-	(41)	(41)
Cost	448	261	709
Accumulated Amortisation	0	(197)	(197)
Net Carrying Amount 31 March 2008	448	64	512

2007/08 2006/07

9 TRADE AND OTHER PAYABLES

Trade Creditors and Accruals	731	2,133
SARS for PAYE and UIF	152	-
Deposits held in Trust	432	-
Registration fees for April 2008 Bi-ennial Conference	239	-
Total	1,554	2,133

10 PROVISIONS

	Performance Bonuses	Leave Pay	Total
	R'000	R'000	R'000
Opening Balance - 01 April 2006	537	262	799
Additional Provisions and Adjustments	1,094	806	1,900
Utilisation of Provision	(537)	(718)	(1,255)
Closing Balance - 31 March 2007	1,094	350	1,444
Opening Balance - 01 April 2007	1,094	350	1,444
Reverse Unutilised Provisions	(486)	-	(486)
Additional Provisions and Adjustments	636	277	913
Utilisation of Provisions	(608)	(350)	(958)
Closing Balance - 31 March 2008	636	277	913

Provision for bonus is calculated at 12% of total annual salary package for staff members below senior management.

Bonus provision for senior managers is calculated at 20% of total annual salary package.

Provision for leave is calculated at going salary rate, multiplied by number of available leave credits.

	2007/08 R'000	2006/07 R'000
11 FINANCE LEASE COMMITMENTS		
Finance lease relates to a photo copier and there are no restrictions imposed in terms of this lease. The lease covers the periods 30 November 2004 to 30 November 2009.		
Total Future Lease Payments	78	118
Future Finance Charges	(35)	(49)
	<u>43</u>	<u>69</u>
Up to 1 year	26	26
2 to 5 years	17	43
Present Value	<u>43</u>	<u>69</u>
12 Reconciliation of Net Surplus for the year to Net Cash From Operating Activities		
Surplus/ (Deficit) adjusted for:	532	(1,037)
Non-cash Movements		
Depreciation	180	190
Amortisation: Computer software	41	20
Impairment Loss	2,032	-
Gains on Sale of Property, Plant and Equipment	(1)	(19)
Operating Cash before Working Capital changes	<u>2,784</u>	<u>(846)</u>
Working Capital	(1,321)	1,781
(Increase)/Decrease in Receivables	(180)	614
Increase (Decrease) in Payables	(579)	521
Increase in provisions relating to Employees' Costs	(532)	646
Decrease/(Increase) in Inventory	(30)	-
Cash generated from operating activities	<u><u>1,463</u></u>	<u><u>935</u></u>

	2007/08 R'000	2006/07 R'000
13 Related Parties		
Related Party	Relationship	
The Department of Trade and Industry SA Revenue Services National Responsible Programme	National Department in National Sphere Public Entity in National Sphere Private Entity at Industry Level	
Related Party Balances		
Balances included in Trade Payables regarding related parties		
SA Revenue Services	152	3
	<u>152</u>	<u>3</u>
Related Party Transactions		
Department of Trade and Industry (the dti)		
Grant Received from the dti	18,855	19,645
Payment to the dti for the financial year:		
Office Rental for April 2006 and May 2006)	-	(175)
Dignet Line	(49)	(35)
Telephone	(35)	(88)
Total	<u>18,771</u>	<u>19,347</u>
South African Revenue Services (SARS)		
Payment in respect of PAYE and UIF	2,118	2,126
	<u>2,118</u>	<u>2,126</u>
National Responsible Gambling Programme (NRGP)		
Payment to in respect of conducting the National Gambling Awareness Campaign	816	-
	<u>816</u>	<u>-</u>
14 Losses		
Other Losses Written Off	3	22
	<u>3</u>	<u>22</u>

Unavoidable operating losses totalling R3,035 were written off during the year under review.

15 Going Concern

The dti has approved a budget of R18,855m, R17,274m and R18,371m for the Board's budget for 2008; 2009 and 2010 financial years, respectively.

The NGB succeeded to turn a deficit situation around by employing more effective cost containing measures, applicable henceforth.

	2007/08 R'000	2006/07 R'000
16 Material Losses Through Criminal Conduct		
No losses were incurred as a result of criminal conduct during the year under review.		
17 Unauthorised, Irregular, Fruitless and Wasteful Expenditure		
<i>17.1 Irregular Expenditure</i>		
Finance Lease Agreement - relating to a copy machine	-	45
Total	-	45

An irregular expenditure arose as a result of leases being entered into where substantially all the risks and rewards incidental to ownership were transferred to NGB.

The National Treasury has since granted approval for the finance lease for the 2007/08 period.

<i>17.2 Fruitless and Wasteful Expenditure</i>	2007/08	2006/07	2005/06
Impairment of Probity and Exclusions Database	2,032	-	-
Research Costs relating to the Probity and Exclusions Database	-	260	-
Research Costs relating to the Probity and Exclusions Database	-	-	144
Contract Cancellation Fee	63	-	-
	2,095	260	144

The R63,000 relates to a penalty paid for cancellation of a development contract.

A new system has since been developed at a lower cost of R448,000 and full hardware costs were salvaged from the old system. The total cost of the old system was written off and the new one is due to be rolled out to the industry in 2008/9.

<i>17.3 Unauthorised Expenditure</i>	
No unauthorised expenditure occurred during the year under review.	

18 Criminal or Disciplinary Actions
No criminal or disciplinary actions were required regarding losses through criminal conduct, unauthorised, irregular or fruitless and wasteful expenditure since none such act was committed.

19 Changes to the Accounting Policies
No changes to the accounting policies were made during the year under review.

20 Change of Accounting Estimate

	New	Old
Furniture and office equipment	10 years	5 years
Computer equipment	5 years	3 years
Motor vehicle (unchanged)	5 years	5 years
Computer Software	3 years	3 years

The remaining useful lives of all assets were assessed and found that assets which had outlived their economic useful lives were still in a usable condition. The effect of the change of estimate on the current year's results was a decrease in depreciation by R44,942 and an increase in the carrying value of Property, Plant and Equipment by the same amount.

21 Prior Year Errors

The useful lives assets were assessed in terms of IAS 16.

Further expenses and accruals were misstated by a net amount of R188 000

This error has since been corrected by restating the comparative year's figures.

The effects of the aforementioned prior year error on the results of 2006/7 and 2007/8 are shown below:

Statement of Financial Performance	2006/7	2005/6
Decrease in Depreciation	76	-
Decrease in Board and Executive Members' Remuneration	9	-
Increase in Professional and Consulting Fees	(260)	-
Increase in Other Operating Expenses	(197)	-
Increase in deficit for the year	(372)	-
Deficit for 2006/7 previously stated	(665)	
Deficit for 2006/7 restated	(1,037)	
Statement of Financial Position:	2006/7	2005/6
Increase in Property, Plant and Equipment	(76)	84
Decrease in Intangible Assets	260	(144)
Increase in Trade and Other Payables	188	-
Decrease in Equity	372	(60)
Adjustment against retained earnings at the beginning of April 2006		(60)
Cash-Flow Statement:		
Decrease in employee costs	(9)	-
Increase in payments to suppliers	269	-
Decrease in purchase of intangible assets	(260)	-
	-	-

22 Assets Held for Disposal

All asset carried at zero value.

	Office Furniture R'000	Computer Equipment R'000	Total R'000
Cost	16	38	54
Accumulated Depreciation	(16)	(38)	(54)
Net Carrying Amount 31 March 2008	-	-	-

23 Assets Held at Zero Value

	Office Equipment R'000	Office Furniture R'000	Computer Equipment R'000	Computer Software R'000	Total R'000
Cost	31	25	286	137	479
Accumulated Depreciation	(31)	(25)	(286)	(137)	(479)
Net Carrying Amount 31 March 2008	-	-	-	-	-

The above-mentioned assets were already at zero value when IAS 16 was passed, which requires that their useful lives be reviewed each year.

24 Contingent Liabilities

	2007/08 R'000	2006/07 R'000
--	------------------	------------------

24.1 Performance Bonus for the acting CEO

185 -

A possible liability may arise as the Board has agreed to a performance bonus capping of 20% for the senior management team, which includes the CEO. The Board has not signed a performance contract with the incumbent and, therefore, the current bonus provision excludes the position of CEO.

A contingent liability arises from the fact that the CEO might be assessed and qualify for a bonus in lieu of services rendered.

24.2 Management Judgement with regards to Leave Provision: Acting CEO

Management is aware of the fact that in terms of the labour law, all employees are entitled to leave.

In the case of the acting CEO leave is disclosed as a contingency and not a provision due to some consideration that needed to be built into the employment contract, which would guide the terms of leave entitlement. At this stage, the actual liability cannot be quantified since the employment contract is not yet in place.

24.3 Pending Litigations where NGB was cited

- Casino Enterprises vs Gauteng Gambling Board
- KZNCMS vs KZNGB and others
- Akani Egoli vs Gauteng Gambling Board Chairperson & others

Legal representatives were engaged and later in the process it was resolved that we would abide by the decision of the courts and not file any heads of argument in the matters.

	2007/08	2006/07
	R'000	R'000
24.4 Retention of Surplus Funds	532	-
<p>The Board applied to the National Treasury through the dti for approval to retain accumulated surplus funds as shown in the financial statements for the year 2007/8. Although the submission was for the entire R3,016m, management's opinion is that the retained earnings of R2,484m is already committed while the current year's surplus funds of R0,532m (statement of financial position), is construed as a liability that may occur should the National Treasury not accede to the Board's request. At the time of this report approval was not yet granted.</p>		

25 Commitments

<i>Contract with Emperor's Palace (Venue Hire for April 2008 Conference)</i>	532	-
<p>A non-onerous contract has been entered into with Emperors to provide a conference venue for April 2008 conference. Refer to note 4.</p>		

26 Events after Reporting Date

The Board's Term of Office

The Board's first three year term ended on 31 March 2008. The Minister has extended the term of office until a new Board is appointed.

Interactive Gambling Bill

The Interactive Gambling Bill has now been promulgated into law (July 2008). To ensure implementation, the NGB's financial resources shall be concentrated on interactive gambling in the 2009/10 financial year.

27 Net Surplus Adjusted to reflect Roll-Over Funds

Revenue for the year	19,526	19,948
Approved roll-over funds	2,900	2,100
Total revenue available for the year	22,426	22,048
Less: Total expenses for the year	(18,994)	(20,985)
Net Results (including roll-over funds)	3,432	1,063

While inclusion of roll-over funds as income may be considered double-accounting, the related expenses do appear in the statement of financial performance. This reconciliation serves to illustrate the fact that there were sufficient funds to carry out projects for the year.

Expenses for the year include special projects funded by the roll-over granted by the National Treasury.

28 Accounting Standards not Adopted

At the date of authorisation of the financial statements, the following accounting standards were in issue, but not yet effective:

- GRAP 4 - The effects of changes in Foreign Exchange Rates
- GRAP 5 - Borrowing Costs
- GRAP 6 - Consolidated and Separate Financial Statements
- GRAP 7 - Investments in Associates
- GRAP 8 - Interest in Joint Ventures

- GRAP 9 - Revenue from Exchange Transactions
- GRAP 10 - Financial Reporting in Hyperinflationary Economies
- GRAP 11 - Construction Contracts
- GRAP 12 - Inventories
- GRAP 13 - Leases
- GRAP 14 - Events after the reporting date
- GRAP 16 - Investment Property
- GRAP 17 - Property, Plant and Equipment
- GRAP 18 - Segment Reporting
- GRAP 19 - Provision, Contingent Liabilities and Contingent Assets
- GRAP 23 - Revenue from Non-Exchange Transactions
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 100 - Non-Current Assets held for Sale and Discontinued Operations
- GRAP 101 - Agriculture
- GRAP 102 - Intangible Assets

Management believes that the adoption of these standards in future periods will have no material impact on the financial statements of the National Gambling Board, as most of them are irrelevant and those that are relevant, are to a greater extent similar in application and disclosure as the GAAP standards applied currently.

The date of application of the above as determined by the Minister of Finance is for annual periods beginning on or after 1 April 2009.

29 Financial risk management

In conducting its business, the organisation's financial instruments are exposed to market risk, credit risk, liquidity risk and interest rate risk.

The NGB has developed a comprehensive risk-management process which monitors and controls the impact of such risks on the organisation's daily activities. The risk-management process relating to each of these risks is discussed under the headings below.

Credit Risk

Credit risk arises mainly from receivables and cash and cash equivalents. The entity's exposure to credit risk arises because of default of counterparties with maximum exposure equal to the carrying amount of these instruments. Market risk refers to the risk that the value of an investment will decrease due to moves in market factors. These risks are mitigated as follows:

- a) Cash and Cash equivalents are placed with high credit quality financial institutions thus rendering the credit risk with regard to cash and cash equivalents limited.
- b) Transactions are entered into with reputable institutions approved by National Treasury.
- c) With regard to accounts receivables, credit risk is limited by the fact that the organisation does not issue loans or raise debtors in its day to day business.
- d) Funds are invested in short-term facilities which are highly liquid and
- e) The organisation does not offer credit facilities either to employees or any other person, except where a debtor may be raised due to advances on travel and subsistence.

Exposure to Credit Risk

Maximum exposure to credit and market risk at the reporting date from financial assets was as follows:

			2008	2007
			R'000	R'000
Cash and Cash equivalents			4,283	3,324
Other receivables			13	44
Total			4,296	3,368

Concentration of credit risk

The maximum exposure to credit risk for financial assets at the reporting date by credit rating category was as follows:

2008			AAA/Gov	Unrated
			R'000	R'000
Cash and Cash equivalents			4,283	-
Other receivables			-	13

2007			AAA/Gov	Unrated
			R'000	R'000
Cash and Cash equivalents			3,324	-
Other receivables			-	44

The following table provides information regarding the credit quality of assets which may expose the Board to credit risk:

2008	not past due nor impaired	Past due not impaired less than 2 months	Past due not impaired more than 2 months	Carrying Amount
	R'000	R'000	R'000	R'000
Cash & Cash equivalents	4,283	-	-	4,283
Other receivables	-	-	13	13

2007	not past due nor impaired	Past due not impaired less than 2 months	Past due not impaired more than 2 months	Carrying Amount
	R'000	R'000	R'000	R'000
Cash & Cash equivalents	3,324	-	-	3,324
Other receivables	44	-	-	44

Market risk

Market risk refers to the risk that the value of an investment will decrease due to moves in market factors. Move in market factors may result in changes in market prices, such as interest rates, which would then affect the financial assets of the organisation.

Interest rate risk

The organisation is exposed to interest rate risk in respect of returns on investments with financial institutions and interest payable on finance leases contracted with outside parties.

Interest rate risk is a risk that adverse changes in interest rates will negatively impact on the net income of the organisation.

This exposure to interest rate risk is mitigated by investing on short-term basis in fixed deposits. The other factor is that NGB does not hold significant finance leases with fluctuating interest rates.

Sensitivity Analysis

The Board's major source of revenue is government grant and to a lesser extent, interest income depending on cash equivalents held. A major expense is on salaries which are fixed for the financial year.

A change in the market interest rate at the reporting date would have increased/(decreased) the surplus for the year by amounts below:-

31/03/2008		Change in Investments	Increase/(decrease in net surpluses for the year	
			Upward Change	Downward Change
	Cash and Cash Equivalents	1%	43	(43)
	Finance Lease	1%	-	-
31/03/2007				
	Cash and Cash Equivalents	1%	33	(33)
	Finance Lease	1%	(1)	1

Liquidity risk

Liquidity risk is the risk that the organisation would not have sufficient funds available or may encounter difficulties in raising funds to meet its future commitments. This risk is regarded as low considering the Board's current funding structures and management of available cash resources.

The table below illustrates the Board's exposure to liquidity risk from financial liabilities.

2008			Carrying Amount	Total Cash Flow	Contractual Cash flow within one year	Contractual Cash flow 1-5 years
Other financial liabilities			2,510	2,510	2,493	17

2007			Carrying Amount	Total Cash Flow	Contractual Cash flow within one year	Contractual Cash flow 1-5 years
Other financial liabilities			3,646	3,646	3,603	43

Financial Instruments

The following table shows the classification on the Board's principal instruments together with their carrying values.

Financial Instrument	Classification	Carrying Amount 2008 (R'000)	Carrying Amount 2007 (R'000)
Cash & Cash Equivalents	Loans and Receivable	4,283	3,324
Receivables	Loans and Receivable	13	44
Trade Payables	Financial Liabilities	1,554	2,133
Finance Lease	Financial Liabilities	43	69

Net gains and losses on Financial Instruments

The following table presents the total net gains or losses for each category of financial liabilities.

2008	Loans & receivables R'000	Financial liability at amortised cost R'000	Total R'000
Interest Income	615	-	615
Finance Charges	-	(21)	(21)
Total net gains recognised in the statement of financial performance	615	(21)	594

2007	Loans & receivables R'000	Financial liability at amortised cost R'000	Total R'000
Interest Income	249	-	249
Finance Charges	-	(19)	(19)
Total net gains recognised in the statement of financial performance	249	(19)	230

MANAGEMENT



MAF Moja
Acting CEO



ME Ntsowe
CFO



DT Marasha
COO



E Jonkheid
Manager: Information Management



RT Mokoena
Manager: HR



DJ Pillay
Manager: Racing & Betting



M Burns
Manager: Compliance



Adv. T Polaki
Board Secretary



GAMBLING STATISTICS

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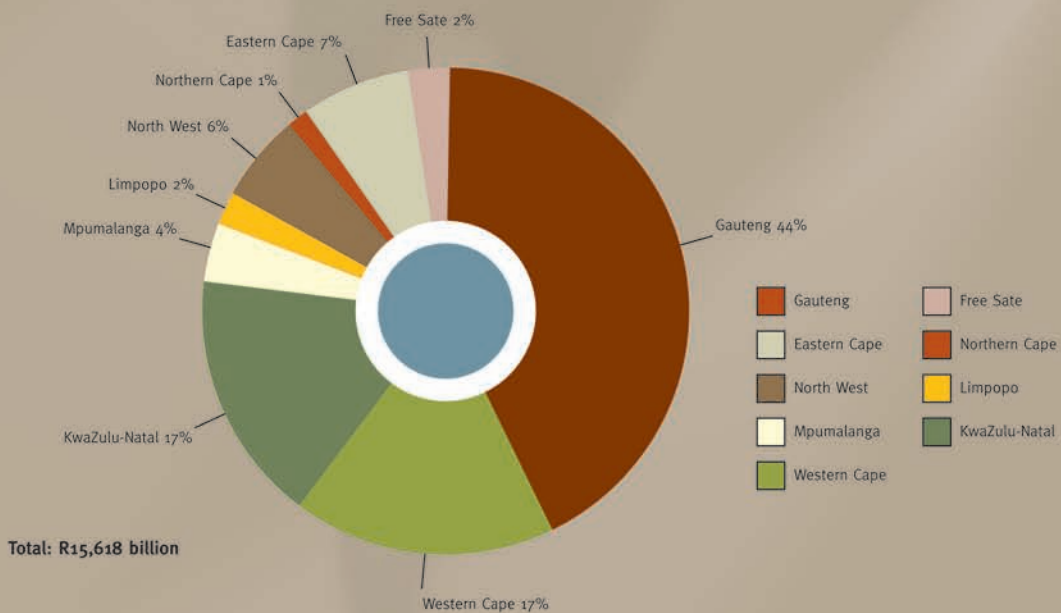
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NGB

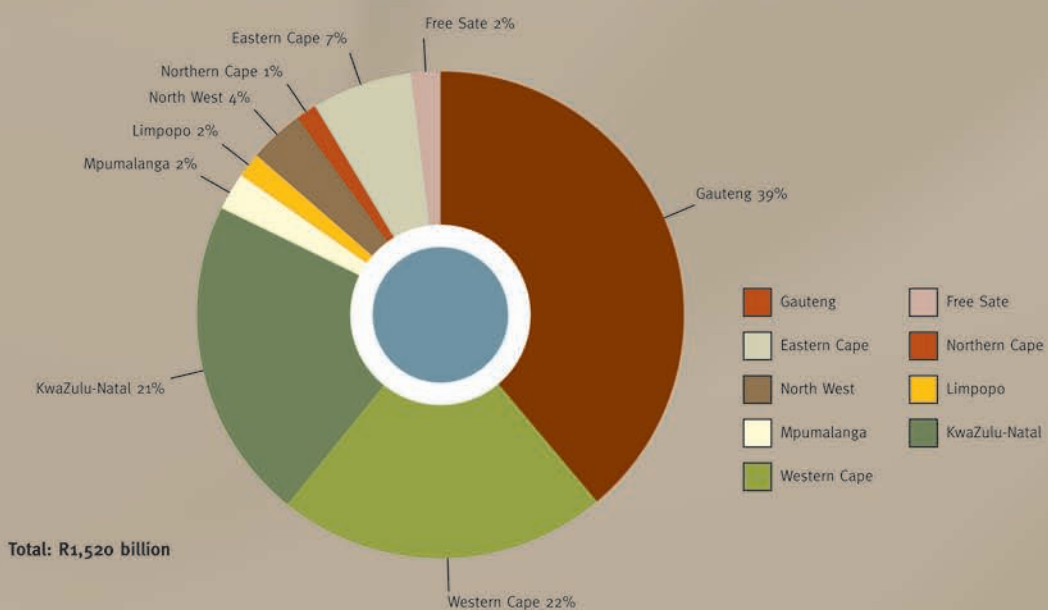
NATIONAL ESTIMATE GAMBLING STATISTICS

The main reason for keeping a National Statistics Database is for **the board** to be able to stay abreast and monitor specific gambling statistics as provided by the Provincial Gambling Boards, consolidate data into one detailed database and report on the overall findings and trends that exist in the national gambling industry. The National Gambling Statistics Database contains information on primary statistics such as turnover, gross gambling revenue (GGR), gambling tax and return to player/punter. Provincial Gambling Boards are required to submit the primary statistics to **the board** on a quarterly basis for analysis. The results for 2007/8 continued to show an increase in gambling activities around the country. The GGR increased by 16% from R13,520 billion (2006/07) to R15,618 billion (2007/8).

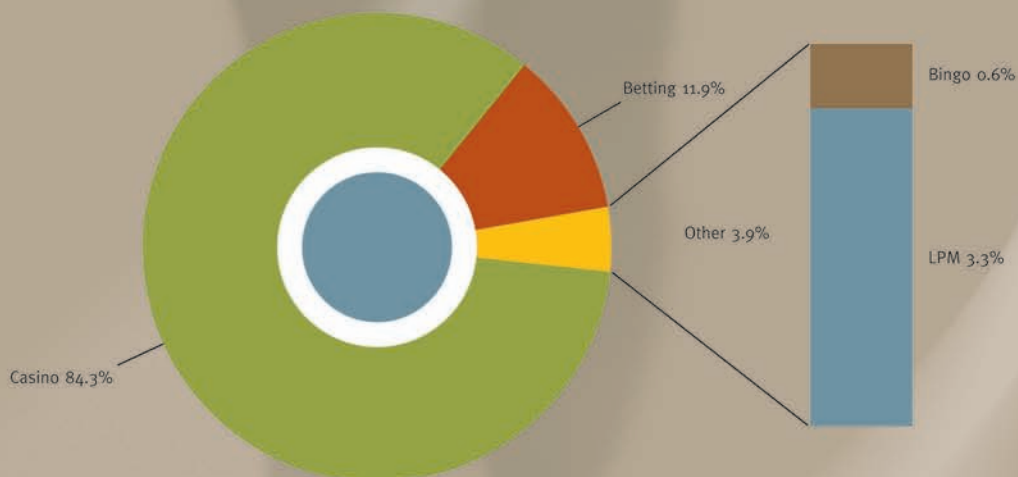
GGR PER PROVINCE - F2008



TAX/LEVI CONTRIBUTION PER PROVINCE - F2008



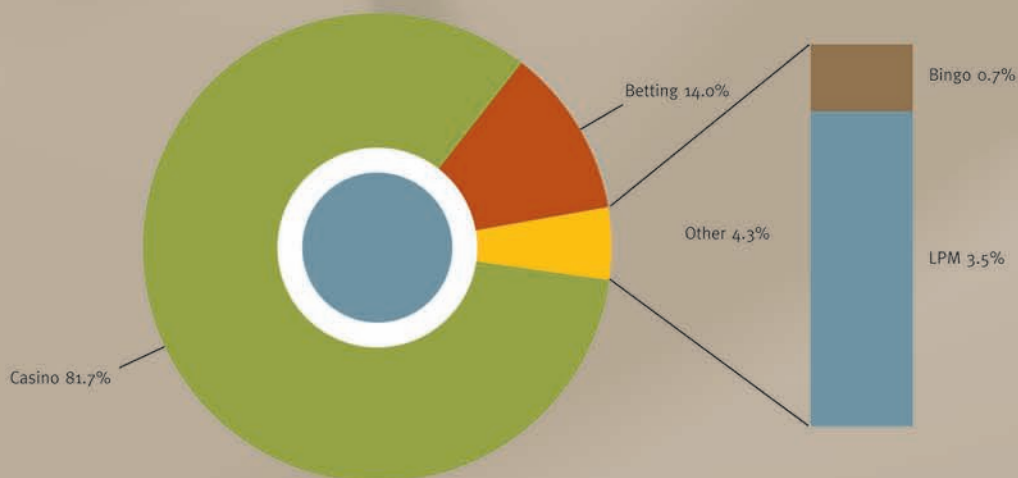
GGR PER GAMBLING MODE - F2008



Total: R15,618 billion



TAX/LEVY CONTRIBUTION PER GAMBLING MODE - F2008



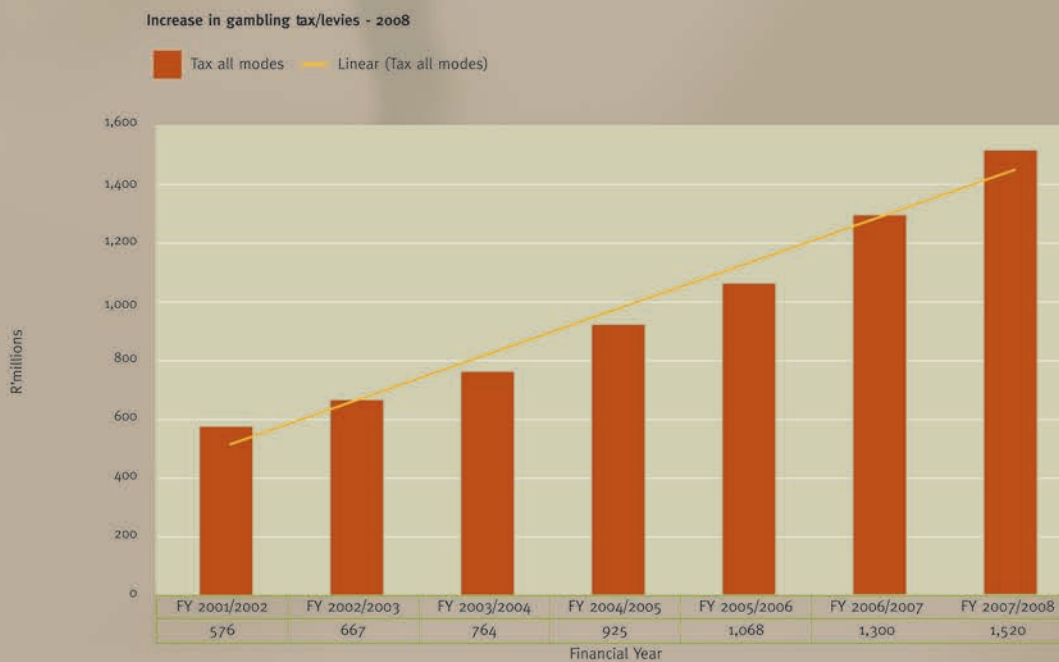
Total: R1,520 billion



INCREASE IN GAMBLING ACTIVITIES - F2008



INCREASE IN GAMBLING TAX/LEVIES - F2008



CASINOS IN SOUTH AFRICA

PROVINCE	AREA	LOCATION	NAME OF RESORT	DATE OPENED	CASINO OPERATOR	MANAGEMENT CO.	TOTAL CAPITAL INVESTMENT (R)	TEMPORARY or PENDING CASINOS	PERMANENT CASINOS	CURRENT STATUS	
								Slots	Tables	Mar-08	
1	Eastern Cape	Zone 1 Port Elizabeth	The Boardwalk Casino & Entertainment World	Oct-00	Emfuleni Resorts	Sun International	516,437,987		826	22	Permanent casino - Feb 01
2	Eastern Cape	Zone 2 East London	Hemingways Casino	Sep-01	Tsogo Sun Emonti	Tsogo Sun Management Co.	222,000,000		400	12	Permanent casino - Mar 02
3	Eastern Cape	Zone 3 Queenstown	Queens Casino	Dec-07	Lukhanji Leisure	Gold Reef	120,000,000	180	6		Temporary Licence issued - up to 12 October to complete construction and convert to permanent
4	Eastern Cape	Zone 4 Mthatha	The Royal Palm Casino Mthatha		Peerment Global (Mthatha)	Peerment Global (Pty) Ltd	215,000,000		220	14	Licence awarded pending issuance by the Eastern Cape Gambling & Betting Board
5	Eastern Cape	Zone 5 Bizana	Wild Coast Sun	Dec-81	Transkei Sun Int.	Sun International	152,745,000		438	16	Existing operation - opened Dec 81. New licence issued Aug 99
6	Free State	Zone 1 Southern Region (Bloemfontein)	Naledi Hotel & Casino	May-89	Sun International	Sun International	135,000,000		150	13	Permanent casino - May 89
7	Free State	Zone 1 Southern Region (Bloemfontein)	Windmill Casino & Entertainment Centre	Oct-05	Mangang Sun (Pty)Ltd	Sun International	194,000,000		300	13	Permanent casino - Oct 05
8	Free State	Zone 2 Welkom	Goldfields Casino & Entertainment Centre	Dec-05	Goldfields Casino & Entertainment Centre	GoldReef Management	157,800,000		250	9	Permanent casino - Oct 07
9	Free State	Zone 3 Eastern Region (Bethlehem)	Frontier Hotel & Casino Resort	Nov-06	Peerment Global (Eastern FS)	Peerment Global (Pty) Ltd	107,000,000		120	6	Permanent casino - Nov 06
10	Gauteng	Fourways	Montecasino	Sep-98	Tsogo Sun Casinos	Tsogo Sun Management Co.	1,557,000,000		1714	75	Permanent casino - Nov 00
11	Gauteng	Gold Reef City	Gold Reef City Casino	Nov-98	Alkani Egoli	Alkani Egoli Management	1,600,000,000		1600	50	Permanent casino - Mar 00
12	Gauteng	Vanderbijlpark	Emerald Casino Resort	Dec-98	Emerald Safari Resort	London Clubs Int.	45,718,205		660	23	Permanent casino - May 01
13	Gauteng	Kempton Park	Emperors Palace Hotel, Casino & Convention Resort	Nov-98	Peerment Global (Pty) Ltd	Peerment Global (Pty) Ltd	1,700,000,000		1724	60	Permanent casino - Nov 00
14	Gauteng	Brakpan	Carival City Casino & Entertainment World	Dec-98	Afrisun Gauteng	Sun International	888,000,000		1750	60	Permanent casino - Oct 99
15	Gauteng	Madopane	Morula Sun Casino & Hotel	Jun-87	Sun International	Sun International	109,000,000		510	12	Existing operation
16	Gauteng	Silver Rand	Silver Star Casino	Dec-07	Silver Star Development Ltd	Gold Reef	1,100,000,000	756	26		Temporary casino - Apr 05
17	Kwazulu-Natal	Zone 1 Greater Durban (Village Green)	Suncoast Casino & Entertainment World	Nov-02	Tsogo Sun KZN	Tsogo Sun Management Co.	1,400,000,000		1330	50	Temporary casino - Nov 02
18	Kwazulu-Natal	Zone 1 North Durban (Umhlanga)	Sibaya Casino & Entertainment Kingdom	Dec-04	Afrisun KZN	Sun International	10,565,000,000		1024	35	Permanent casino - Oct 06
19	Kwazulu-Natal	Zone 2 North Coast (Empangeni)	Tusk Umfolozi Casino	May-02	Peerment Global (KZN)	Peerment Global (Pty) Ltd	65,000,000	261	10		Temporary casino - May 02 - Recently purchased by Peerment Hotels Casinos & Resorts
20	Kwazulu-Natal	Zone 3 Northern Natal (Newcastle)	Century Casino Newcastle	Sep-99	Century Casino Newcastle (Pty) Ltd	Century Casinos Africa	116,964,616		250	7	Temporary casino - Sept 99 - Permanent Opened in Dec 06
21	Kwazulu-Natal	Zone 4 Natal Midlands (Pietermaritzburg)	Golden Horse Casino	Sep-01	Alkani Msunduzi	Alkani Msunduzi	260,000,000		450	20	Permanent casino - Opened Sept 01 with temp license - Permanent license awarded in April 2004
22	Mpumalanga	Zone 1 Wfibrank	The Ridge Casino & Entertainment Resort	Mar-98	Tsogo Sun Casinos	Tsogo Sun Management Co.	205,000,000		380	13	Permanent casino - Sept 02
23	Mpumalanga	Zone 2 Secunda	Graceland Hotel, Casino & Country Club	Oct-97	Peerment Global (SH)	Peerment Global (Pty) Ltd	226,000,000		358	16	Permanent casino - Jul 98
24	Mpumalanga	Zone 3 Nelspruit	Emmotweni Casino	Oct-97	Tsogo Sun Casinos	Tsogo Sun Management Co.	170,000,000		323	11	Permanent casino - Nov 99
25	Mpumalanga	Zone 4 Pilgrims Rest/Lydenburg/Bushbuck	Meropa Casino & Entertainment World	Mar-05	Meropa Leisure and Entertainment (Pty) Ltd	Sun International	224,000,000		384	15	Permanent casino - Mar 02
26	Limpopo	Polokwane (Pietersburg)									No licence issued
27	Limpopo	Thohoyandou									No licence issued
28	Limpopo	Kimberley	Khoroni Hotel Casino & Convention Resort	Jul-85	Peerment Global (Limpopo)	Peerment Global (Pty) Ltd	86,000,000		129	6	Recently purchased by Peerment Hotels Casinos & Resorts
29	Northern Cape	Upington	Flamingo Casino	Mar-07	Teemarie	Sun International	144,000,000		235	9	Permanent casino - Mar 02
30	Northern Cape	Kimberley	Desert Palace Hotel Resort	Jun-00	Desert Palace	Northern Cape Casino Consultants Kairo (Pty) Ltd	50,000,000		160	7	Permanent casino - May 2005
31	Northern Cape	Kuruman									No licence issued
32	North West	Mmabatho	Tusk Mmabatho Hotel, Casino and Convention Resort	Dec-78	Peerment Global (NW)	Peerment Global (Pty) Ltd	44,000,000		155	8	Recently purchased by Peerment Hotels Casinos & Resorts
33	North West	Pietersburg	The Sun City Hotel	Dec-79	Sun International	Sun International	1,172,935,359	6	4		Existing operation
34	North West	Klerksdorp	Tusk Rio Hotel Casino Resort	Sep-04	Peerment Global (NW)	Peerment Global (Pty) Ltd	782,000,000		258	11	Recently purchased by Peerment Hotels Casinos & Resorts
35	North West	Hammanskraal	The Carousel Casino & Entertainment World	Nov-91	Sun International	Sun Inter. Management	312,665,000		700	20	Existing operation
36	Western Cape	Zone 1 Cape Metropole (Goodwood)	GrandWest Casino & Entertainment World	Dec-00	Sun West Int.	Sun International	2,000,000,000		2500	70	Permanent casino - Dec 00
37	Western Cape	Zone 2 Southern Cape (Mossel Bay)	Garden Route Casino	Nov-02	Garden Route Casino	Gold Reef Management	143,600,000		412	16	Permanent casino - Dec 02
38	Western Cape	Zone 3 Breede River	Golden Valley Casino	Nov-00	Worcester Casino (Pty) Ltd	Sun International	150,000,000		220	7	Permanent casino - Nov 06
39	Western Cape	Zone 4 Overberg	The Caledon Hotel, Spa & Casino	Oct-00	Century Casinos Caledon (Pty)(Ltd)	Century Casino Inc	164,321,788		370	7	Permanent casino - Oct 00
40	Western Cape	Zone 5 West Coast	Club Mykonos Holiday Resort	Nov-00	West Coast Leisure	Gold Reef Management	66,000,000		278	9	Permanent casino - Nov 00
Total							25,973,867,955	1203	46	214,73	755

Key 31-Mar-08 Casino currently operating

Effective date

SUMMARY	1,203	46	214,73	741
Casinos operating	1,203	46	212,53	741
Casinos not operating	0	0	2,20	14
Total	1,203	46	214,73	755

CASINOS	TEMPORARY or PENDING CASINOS	PERMANENT CASINOS
Operating	36	4
Not operating	1	32
Not yet licenced	3	
Total	40	

Operating Slots (Temporary or pending)
Operating Slots (Permanent)
Total

1,203
21,253
22,456

Operating Tables (Temporary or pending)
Operating Tables (Permanent)
Total

46
741
787

ILLEGAL GAMBLING STATISTICS

PROVINCIAL LICENCING AUTHORITY	KZN	GAUTENG	FREE STATE	NORTH WEST	NORTHERN CAPE	LIMPOPO	EASTERN CAPE	WESTERN CAPE	MPUMALANGA	TOTAL
Number of raids/closure	15	34	10	1	0	188	3	23	9	283
Number of raids (fahfee)	0	0	0	0	3	498	13	0	3	517
Confiscated gambling machines	80	86	17	21	173	18	28	95	17	535
Confiscated gambling tables	0	0	0	6	0	0	0	0	0	6
Confiscated computer devices	0	0	0	0	0	1	33	22	0	56
Case convictions	12	0	2	0	0	6	0	2	1	23
Acquittals	0	0	0	0	0	5	3	0	0	8
Admission of guilt	97	30	8	0	1	141	3	17	10	307
Withdrawals	0	0	0	0	0	67	56	1	0	124
Forfeited gambling machines	0	72	15	311	2	0	62	75	16	553
Forfeited gambling tables	0	0	0	0	0	0	0	0	0	0
Forfeited computer devices	0	0	0	0	0	0	0	10	0	10
Returned gambling machines	0	0	0	0	221	0	0	0	2	223
Returned gambling tables	0	0	0	0	0	0	0	0	0	0
Returned computer devices	0	0	0	0	1	0	0	0	0	1
Destroyed gambling machine	471	249	0	0	0	18	0	83	0	821
Destroyed gambling tables	0	0	0	0	0	0	0	0	36	36



**National
Gambling Board**

a member of **the dti** group

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NOTES

ADMINISTRATION

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